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THE POSITION OF HIGH COURTS.

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The position of High Courts

Division of
functions for
the adminis-
tration of
justice.

1. From a date not later than the first constitution of High Courts under the High Courts Act, 1861, the executive function of the administration of justice has been shared between various authorities. The "act of judging" is, of course, a judicial function, and is not at present in question. It belongs to the courts alone. But in addition to their judicial functions the High Courts have always possessed executive or administrative functions. Some at least of these executive functions of the Courts are subject to the control of the executive Government which is normally, but not always, the Government of the province. The remaining functions which go to make up "the administration of justice" are exercised by the executive Government, being distributed among various authorities in a manner which is not altogether uniform. The question at issue in this memorandum is the definition of the execu-

tive authority which should exercise control over the administrative functions of the High Courts and should perform the other functions relating to the administration of justice which affect these Courts.

The Normal Case.

2. The authority to establish by Letters Patent a high court of judicature in any territory in British India rests in His Majesty alone, and all High Courts now existing in India have been established by the exercise of this authority. Every judge of a High Court holds office during His Majesty's pleasure. Additional judges, however, who may be required for any period not exceeding two years, are appointed by the Governor-General in Council, and temporary vacancies in the office of Chief Justice or other judge may be filled by appointment made by the local Government. The salaries and certain other conditions of service of judges of High Courts are fixed by rules made by the Secretary of State in Council. The local limits of the jurisdiction of a high court may be altered by order of the Governor-General in Council. A Judge on assumption of office makes his declaration before an authority prescribed by the Governor in Council; on demitting office he tenders his resignation to the local Government.

The appointment of High Court Judges and their tenure.

3. The administrative functions of the High Courts, apart from particular quasi-administrative or judicial functions assigned to them by specific Acts, are described in the Government of India Act and in the Letters Patent by which each court was established. Section 106 of the Act confirms to the several high courts "all such powers and authority over or in relation to the administration of justice, including power to appoint clerks and other ministerial officers of the court, and power to make rules for regulating the practice of the court, as are vested in them by Letters Patent, and, subject to the provisions of any such Letters Patent, all such jurisdiction, powers and authority as are vested in those courts respectively at the commencement of this Act." Section 107 recites the Court's powers of superintendence over all courts for the time being subject to its appellate jurisdiction, and its particular powers to call for returns, direct transfer of suits or appeals, make rules regulating the practice of subordinate courts, prescribe forms and settle tables of fees. The Letters Patent confer on the Chief Justice powers to appoint clerks and other ministerial officers and to make rules for the qualification and admission of advocates, vakils and attorneys. The powers conferred on the Court by particular Acts need not at present be set out in detail, but it is important to refer to the powers conferred by various provincial Civil Courts Acts in the matter of the recruitment and control of the subordinate civil judiciary. In Madras and Burma the appointment of Munsifs or Sub-judges is made by the High Court; in Bombay and the Central Provinces such appointments are made by the local Government, while in Bengal, Bihar and Orissa, Assam, the United Provinces and the Punjab the appointments are made by the local Government on the nomination of the High (or Chief) Court.

The administrative powers of High Courts.

The particular powers of the executive.

4. The particular administrative powers of the executive are, first, the powers regarding the constitution of the High Courts which have already been described; second, the executive control to which the administrative functions of the High Courts have been made subject, and third, specific powers which have been conferred by legislation.

Instances of the second category are contained in section 107 of the Government of India Act, in the Letters Patent of each court, and in Acts such as the Civil Procedure Code and the Criminal Procedure Code. Rules, forms and tables made, prescribed, or settled under section 107 of the Government of India Act require the approval of the local Government. Under the Letters Patent the appointment of clerks and ministerial officers is regulated by rules made by the Governor in Council. The same authority prescribes rules for the leave of absence of such clerks and officers, and his approval is required to the salaries fixed for them by the Chief Justice. In the second category also come the requirements of section 126 of the Civil Procedure Code which make necessary the approval of the local Government to rules made by High Courts annulling, altering or adding to the rules in the First Schedule to the Code. Similarly, section 554 of the Criminal Procedure Code requires the previous sanction of the local Government to rules made by a High Court in certain matters of criminal administration. A further instance is the power given to the local Government by section 335 of the Code of Criminal Procedure to regulate the places at which the High Court shall hold its sittings.

The third category includes all those numerous powers for particular occasions and purposes which are conferred by statute, particularly by the Codes of Criminal and Civil Procedure. It is unnecessary at present to prepare the elaborate lists in which alone they could be displayed.

The general powers of the executive.

5. The general powers of the executive arise from its obligation to constitute and maintain courts of criminal and civil jurisdiction in sufficient numbers and with adequate efficiency. These powers have no doubt a definite statutory basis, but they are also inherent in the nature of government. In practice and for the present purpose one of the most important of these functions is the function of making adequate financial provision from year to year for the exercise of the administrative functions whether these functions are performed by the executive itself or by the High Court.

The allocation of functions between executive organs—Pre-Reform.

6. The administrative functions now exercised by the High Courts are derived from the Letters Patent and from certain provisions contained in the Government of India Act, 1915, and have not been altered by the Reforms. But the seat of the administrative functions exercised by the executive has been profoundly affected by the new constitution. The introduction of the reforms did not affect the administrative functions entrusted to the High Courts by specific Acts, nor did it, save for the changes of detail made by the Devolution Act, 1920, make changes in the particular functions assigned by such statutes to the local

or the central Government. But it altered the bases of general administrative authority. Prior to the coming into operation of the constitution set up by the Government of India Act, 1919, there was no classification of subjects as central and provincial, and consequently no formal assignment of general administrative responsibility in relation to any particular function of government to the Government of India as opposed to the local Government or *vice versa*. In the financial sphere there was no real separation between central and provincial revenues, but inasmuch as the revenue and expenditure of all the High Courts were included in a so-called provincial head, that revenue and expenditure figured in the annual financial statement of the local Government concerned and was open to discussion in the local Legislative Council in accordance with rules made under sub-section (3) of section 80 of the Government of India Act, 1915.

7. The scheme propounded in the Report on Indian Constitutional Reforms and thereafter embodied in the Government of India Act, 1919, necessitated a formal classification of all the subjects of government as central and provincial subjects and the treatment proposed for the High Courts in this respect by the first authority charged with the duty of formulating proposals for the classification of subjects, namely, the Feetham Committee, would have made the constitution and powers of all the High Courts a central subject. For entry 16 in the list of provincial subjects proposed by that Committee ran as follows :—

The allocation of functions between executive organs.—The Reforms—Devolution Rules.

“Administration of justice, including constitution, maintenance and organization of courts of justice in the province both of civil and criminal jurisdiction, but exclusive of matters relating to constitution and powers of High Courts, and subject to Indian legislation as regards constitution and powers of courts of criminal jurisdiction”

and the exclusion of matters relating to constitution and powers of High Courts would have brought those matters within the Committee's proposed central subject 39, namely, “all matters expressly excepted from inclusion in the provincial list.”

The Government of India, commenting on the proposed provincial entry in question in paragraph 64 of their 4th reforms despatch, observed as follows :—

“Item 16 would give the provincial legislatures power to alter without previous sanction the jurisdiction of civil courts. Changes may possibly be made which will react not merely on the public but on the High Courts and the Privy Council, but we are prepared to face this contingency. We think that in addition to matters relating to the constitution of High Courts, matters relating to the constitution of Chief Courts and the Courts of Judicial Commissioners should also be excluded. The definition of the item as a whole

seems capable of improvement and we suggest the following re-draft :—

- ‘ The administration of Justice including the constitution, organization and powers of Courts of civil and criminal jurisdiction within the province other than a High Court, a Chief Court, or the Court of a Judicial Commissioner, but subject to Indian legislation as regards Courts of criminal Jurisdiction.’

Under this draft the constitution, organization and powers of the High Courts would have been made a central subject by virtue of exclusion from the proposed provincial subject.

Commenting on the re-draft suggested by the Government of India in a memorandum presented to the Joint Select Committee on the Bill which became the Government of India Act, 1919, Messrs. Feetham and Stephenson observed :—

- “ The intention of the Committee was to reserve the constitution and powers of High Courts, which are at present regulated by the Government of India Act and by Letters Patent, as an All-India subject, while leaving the provinces freedom to legislate with regard to other courts, subject to previous sanction as regards courts of criminal jurisdiction. The Government of India propose to put Chief Courts and Courts of Judicial Commissioners on the same footing as the High Courts in this respect (a course to which we see no serious objection), and also to make ‘ organization ’ as well as the constitution and powers of all these Courts an All-India subject. Organization of the High Courts, as distinguished from their constitution, would appear to be a matter which should be dealt with by the province which is responsible for their maintenance, but it is probably best to avoid using these terms for the purpose of making a distinction between All-India and provincial powers. The simplest plan would be to make all matters affecting these Courts subject to Indian legislation, and it is suggested that the entry might take the following form :—

- ‘ Administration of justice, including the constitution, powers, maintenance and organization of Courts of civil and criminal jurisdiction within the province, subject to Indian legislation as regards High Courts, Chief Courts, and Courts of Judicial Commissioners and any Courts of criminal jurisdiction.’

There is no intention to affect the provisions of the Government of India Act with regard to High Courts, including those provisions which bring the High Court of Calcutta into special relation with the Government of India ; the rules of classification, of which this list will form part, will necessarily be tinned to the provisions of that Act, and there does

not seem, therefore, to be any need for a special reference to the Act in this entry. To prevent misconception, the point can be covered by a general statement in the rules."

Subsequently, however, the proposed method of treatment underwent radical alteration. An India Office reforms committee revised the relevant entry in the provincial list to read—

"Administration of justice including the constitution, powers, maintenance and organization of Courts of civil and criminal jurisdiction within the province, subject to Indian legislation as regards High Courts, Chief Courts and Courts of Judicial Commissioners and any Courts of criminal jurisdiction."

The point was referred to in the oral examination of Messrs. Feethams and Stephenson to whom Lord Sinha put the following question:—

"No. 16* is more or less drafting, is it not?"

Mr. Feetham's reply was:—

"No. 16, I think, might be described as a drafting amendment....."

In their report on clause I of the Bill the Joint Select Committee observed:—

"The lists of central, provincial and transferred subjects included in the Functions Committee's report have been somewhat altered after consultation with the India Office, and as so amended, they are accepted by this Committee."

In pursuance of this general acceptance of the lists of subjects as altered after consultation with the India Office entry 17 in the list of provincial subjects set forth in Part II of Schedule I to the Devolution Rules reproduces the final re-draft of the Committee's entry 16 and reads as follows:—

"Administration of justice, including constitution, powers, maintenance and organization of Courts of civil and criminal jurisdiction within the province; subject to legislation by the Indian Legislature as regards High Courts, Chief Courts, and Courts of Judicial Commissioners and any Courts of criminal jurisdiction."

8. It has been contended that the description by Mr. Feetham of the re-draft of original entry 16 as "more or less drafting" and the acceptance of that description by the Committee embodied a very serious misconception. The original draft of the Feetham Committee and the revision thereof by the Government of India agreed in this that the High Courts were, in whole or in part, expressly excluded from the pro-

The same—a possible misconception.

* I.e., the re-draft as amended by the India Office Committee.

posed provincial subject, and by virtue of that exclusion included in a central subject. The draft finally adopted excluded nothing from the content of the provincial subject with the result that the High Courts are wholly included in that provincial subject. The subjection of High Courts to legislation by the Indian Legislature which Mr. Feetham appears to have regarded as serving by an alternative method the ends which would have been served by making them a central subject has in fact no such effect.

The operation of the Devolution Rules is of course subject to the Act with the result that the vesting by sections 106 and 107 of the Act of functions with reference to a High Court in the Governor-General in Council or the local Government is not capable of being affected by the inclusion of High Courts under the Devolution Rules, either in a central or in a provincial subject, but over and above the statutory functions assigned to a particular governmental authority by those sections there remains a residuum of functions with reference to a High Court which are in the nature of things exerciseable by the executive Government. The inclusion of High Courts in a central subject would have caused these residuary functions to vest in the Government of India. The subjection to legislation by the Indian Legislature of the provincial subject in which the High Courts were finally included has no such effect. *Per contra*, the provinciality of the subject has the effect of vesting them in the local Government. From a practical point of view, however, the inclusion of High Courts in a provincial subject has its most important effect in bringing the High Courts into relation with the local legislature. Because High Courts are included in a provincial subject, the financing of High Courts is a charge on provincial revenues, with the result that it is the local legislature which votes the High Court budget, while for the same reason such powers of influence as result from the right of interpellation and the right to move resolutions accrue to the local legislature.

The Calcutta Case.

The position of the High Court at Fort William in Bengal.

9. The position of the High Court at Calcutta differs from that of other High Courts less in regard to the distribution of functions for the administration of justice between judicial and executive authorities than in regard to the selection of the particular executive authorities for the exercise of functions assigned to the executive. The provisions of the Bengal Civil Courts Act are not precisely the same as those of similar enactments in other provinces. But, generally, the same administrative functions are in all provinces entrusted to the High Court and the executive, whether by statute or by Letters Patent. In Bengal, however, certain important functions involving control over the High Court, which have in other provinces been committed to the Governor in Council, have been entrusted to the Governor-General in Council.

The Government of India Act requires a judge of the Calcutta High Court on vacating office to tender his resignation to the Governor-General in Council (section 102). Appointments to temporary vacancies in the

office of Chief Justice or Judge are made by the Governor-General in Council. The same executive authority must be addressed for the grant of his previous approval to rules made, forms described and tables of fees settled by the Court. The Letters Patent of the Court (Article 5) requires a Judge on assumption of office to make a declaration before an authority prescribed by the Governor-General in Council. The control which in other provinces the local Government exercises over the clerical and ministerial establishment of the Court is in Bengal exercised by the Governor-General in Council (Article 8). The same differentiation is made in sundry provisions contained in the Indian Statute Book. Thus, by virtue of section 126 of the Code of Civil Procedure, 1908, rules made under section 122 require the previous approval of the Governor-General in Council. He too, and not the Government of Bengal, may determine the place at which the Court shall sit to dispose of criminal business, and may approve of judges going on circuit (Code of Criminal Procedure, section 335). His sanction is required to rules for the inspection of the records of subordinate courts (*Ibid* section 554).

10. This disposition of authority peculiar to Bengal dates in its present form from the first constitution of the Court under the High Courts Act, 1861. But it has its roots in a much older past. In pre-reform days it raised in practice no insurmountable difficulties. It is true that the local Legislative Council set up under the Act of 1909 had powers to discuss the budget, and to debate matters relating to the administration of justice by the High Court. But the Council had no powers to grant or withhold supply. The local Government had no inherent authority. It was in theory an agent of the central Government whose directions it was bound to carry out. In particular the central Government was competent to direct the local Government to make such financial provision for the needs of the High Court as the Governor-General in Council considered necessary. The resulting anomaly.

The position was materially altered by the Government of India Act and the rules under it. The local Government was given powers of its own, including powers for the administration of justice. The local legislature was made independent of the executive, entrusted with control or influence in a sphere corresponding to the functions of the local executive, and empowered to grant or withhold supply. Administration of Justice by the local Government was made a reserved subject and therefore remained under the unrestricted superintendence, direction and control of the Governor-General in Council. Nevertheless, the anomaly remains that the Government of Bengal has been assigned a responsibility for and the Bengal Legislative Council a concern with the administration of the Calcutta High Court notwithstanding the fact that important statutory powers in relation to the Court are vested in the Governor-General in Council. The anomaly assumes its most acute form in the financial sphere, for the financial responsibility of the local Government and the local legislature for the court is not limited in the manner in which the administrative authority of the former has been limited by the functions entrusted to the Governor-General in Council.

The Paper Book Department Demand, and subsequent discussions.

11. This anomaly manifested itself in an acutely practical form at a very early stage in the history of the reformed constitution. A demand for expenditure in connection with the High Court containing items which had received the approval of the Governor-General in Council in accordance with Article 8 of the Letters Patent was placed before the Bengal Council in March, 1921, and rejected. The Governor of Bengal took the view that, inasmuch as the authority conveying administrative sanction to the expenditure was the Government of India, he as Governor had no responsibility for the administration of the subject to which the demand related and was therefore incompetent to certify the expenditure in accordance with proviso (a) of sub-section (2) of section 72-D, as essential to the discharge of his responsibility for the subject. The Government of India were clearly of opinion that, inasmuch as the demand related to a provincial reserved subject, responsibility did rest with the Governor and that he was competent to certify. In the result the Governor did issue the necessary certificate but the unsatisfactory nature of the position is clearly exhibited in the following observation contained in a letter addressed to the Government of India by the local Government :—

“ His Excellency in Council will restore the grant as directed by the Government of India. I am, however, to observe that, while the Governor in Council is ready to act on the instructions of the Government of India, he is not prepared to act on his own initiative in matters affecting the High Court since he has not the right to pass orders on matters which form the subject of correspondence between the Honourable Judges and the Government of India and upon which the Government of India themselves pass orders.”

It was equally exhibited in the form of the Governor's certificate which was worded as follows :—

“ Whereas I have been directed by the Government of India to provide a sum of Rs. _____ for the Paper Book Department of the High Court under head 24-A, Administration of Justice, and whereas the Bengal Legislative Council has refused its assent to a demand for a grant for this purpose, I, therefore, hereby certify that the expenditure provided for by this demand is essential to the discharge of my responsibility for the subject.”

The Government of India fully recognized the anomaly attending the vesting in themselves of specific powers in relation to the Calcutta High Court while that Court was included in a provincial subject, and they proposed to cure the anomaly by leaving the classification of subjects untouched and by bringing the position of the Calcutta High Court with reference to the specific powers in question into line with the position of the other High Courts by amending the Government of India Act, the Letters Patent of the Calcutta High Court and the Indian Sta-

tute Book in such manner as to transfer the powers in question to the local Government. Proposals to this end were placed before the Calcutta High Court in the Home Department letter no. 1359, dated the 18th July, 1921, and evoked a strenuous protest voiced in a letter from the Registrar of the High Court, no. 5245-G., dated the 12th September, 1921. That letter admitted the anomaly, but put forward the contrary remedy of making the Calcutta High Court—and incidentally all other High Courts—a central subject. Considerable stress was laid by the Judges on the history of the existing provincial classification as described in paragraph 7 of this note. The alternative proposal of the High Court did not commend itself to the Government of India, but in deference to the opposition of the Judges to the Government proposal, the latter was not proceeded with and the question has since remained in abeyance.

12. The foregoing account should have made it clear that the administrative control exercised by and over the High Courts is part of the general administration of justice. It has, however, in the past been possible to give separate treatment to this question of the High Courts and there are advantages in keeping it distinct now, provided that the matters which are and are not in dispute can be clearly distinguished. The problem has emerged in connection with the High Court at Calcutta and on account of the anomaly there inherent in the division of executive functions between the central and the local Governments. But it has at once taken a wider scope, for all High Courts are concerned as soon as the issue arises whether a local executive or legislative should possess any powers to control or influence the administrative acts of a High Court.

Points of present agreement—The broad issue.

So far as discussions have gone there are several important points on which there is agreement or which at least have not been challenged. These points may therefore be excluded for the present from consideration. First, the question of the appointment of Judges of High Courts and the conditions of their term of office is not in issue. Minor matters, such as the filling of temporary vacancies, and the procedure on the assumption and demission of office are not subjects of agreement. But they do not affect materially the conditions of appointment and of tenure, and they can be settled independently of the decision regarding control of the administration by the High Court.

Second, it is not contended that the administrative functions of the High Court, except possibly those entrusted to them by provincial Civil Courts Acts, should be withdrawn or curtailed. Amendment of the Letters Patent or of the provisions of the Government of India Act with this object has not been suggested.

Third, it is apparently agreed that the administrative functions of the High Court cannot be irresponsible. There must be control by some executive and a power of control or influence in some legislature. It has not been contended that the present restrictions on the administrative powers of High Courts, such as the requirement of previous sanc-

tion by executive authority to rules which the Court proposes to issue should be removed. Nor has it been suggested that the administration of justice by a High Court should be removed from the cognizance of every legislature, whether by exclusion of supply from the estimates or by a rule in restraint of discussion.

Lastly, the powers of the local Government and the local legislature for the administration of justice, whether they are derived from specific statutory provisions such as those contained in the Codes of Civil and Criminal Procedure or are a consequence of the constitutional arrangements made by the Government of India Act are not in question, save in so far as they affect the administrative functions and the authority of the High Court.

The broad issue then is this. On the assumption that the existing administrative functions of the High Courts are maintained, subject to the existing restrictions arising from the control of the executive and the powers of the legislature, by what executive authority should that control be exercised and in what legislature should these powers be vested?

The Arguments for Centralization.

Relations of
the High
Court and
the Legisla-
ture.

13. The primary advantage of centralization is that its adoption would remove the High Courts from undesirable political influences by bringing all matters relating thereto within the purview of the central legislature and removing them from the jurisdiction of the local legislature. The importance of this aspect of the case may be gauged from a perusal of the cases collected in an appendix to this note in which the existing system has exposed the High Courts to criticism and censure in the local councils, where under the existing system the High Court budget is voted. It may be contended that in the majority of these cases the criticism levelled against the High Courts has not only been factious and ill-informed, but has also tended to bring the Courts into contempt in the estimation of the public. A central legislature, whatever its faults, would, it may be hoped, be unlikely to afford any support to an attempt to base a censure of a High Court on *e.g.*, the low proportion of the representatives of a particular community in its ministerial establishment. While the consequences in this respect of the provincialization of the High Court have been serious enough under the existing régime, it may be urged that the subjection of the budgets of those Courts to a majority vote in a legislature to which the executive was responsible would be attended with intolerable consequences, and that centralization of the High Courts would be an inevitable concomitant of the establishment of anything in the nature of provincial self-government.

Relations of
the High
Court and
the local
Government.

14. But consideration cannot be confined to the relations between the High Court and the legislature. The relations between the High Court and the executive are equally important, and there can be no doubt, it may be contended, that those relations are far more likely

to be harmonious if the executive with which the High Court has to deal is the central executive with its relatively detached position. In the Calcutta case in particular, the Registrar's letter to which reference has already been made shows how far from satisfactory the relations between the High Court and the local Government of Bengal have been in the past and how remote would be the prospect of satisfactory co-operation between the judicial and the executive authority if effect were given to the first of the two alternatives under consideration.

15. The case as it arises in Bengal presents special features, for there a degree of centralization has been achieved, and the High Court has a long and distinguished history of its own. The Honourable the Chief Justice and Judges have, therefore, stated the case for centralization in their Registrar's letter in an unreserved expression of their opinion. They point to the vital importance of maintaining the independence of the Court and refer to their long experience of attempts by the local Government to interfere with that independence and with the independence of the Courts over which the High Court has superintendence. The Court must not only be free from such interference but must be free to intervene when the excesses of the local executive may imperil, as they have in the past imperilled, the liberties of the subjects. They consider the subordination of the Court to a member of the Executive Council of His Excellency the Governor to be a position inconsistent with the history and traditions of the Court, and they refuse to accept a situation in which any member of the Bengal Legislative Council could call for or move for records, returns and statements from the High Court as to the manner in which the Judges discharged their judicial functions or in which the local Government, which is subject to the influence of the Bengal Legislative Council, would exercise a potent voice in determining His Majesty's pleasure during continuance of which the Honourable Judges hold office. They point out that the Schedule to the Devolution Rules was framed under the misconception to which reference has already been made. Financial responsibility for the Court should, they consider, rest with the central Government in order that the Court may be removed from the sphere of local politics. Finally, they lay stress on the historical relations which have existed between the Representative of the Crown and the Judges of the Court for over 150 years.

The High Court at Calcutta.

The Arguments for Provincialization.

16. The supporters of provincialization employ both negative and positive arguments. They meet the case for centralization by laying stress on the considerable difficulties which would attend it and by disabling the arguments by which it is sought to justify it. Those difficulties comprise—

Negative arguments—
Difficulties of Centralization.

- (a) the absence of the requisite local knowledge which would enable the Government of India adequately to discharge the specific statutory functions which are now assigned to them in the

case of the Calcutta Court and which would in the event of centralization be assigned in the case of all the High Courts, *e.g.*, the selection of temporary Judges from among a personnel, with the merits of which the local Government are in the nature of things more familiar than the Government of India; and the sanctioning of expenditure to meet needs the reality and urgency of which cannot be justly estimated in the absence of local knowledge.

- (b) the risk of a conflict of administrative authority over the subordinate courts, which by universal consent must continue in the provincial sphere, between (i) the local Government, which would continue to possess such authority by virtue of its responsibility for the administration of a provincial subject and of the fact that, in the majority of provinces, the provincial Courts Act vests the power of appointment to subordinate judicial offices in the local Government, and (ii) the High Court, which would also continue to possess such authority by virtue of the provisions of section 107 of the Government of India Act but which, with the High Courts centralized and with the statutory and Letters Patent powers transferred to the Government of India, would cease to have any administrative relations with the local Government.
- (c) the practical impossibility of the Government of India exercising the functions vested by various statutes in the local Government.

Negative arguments—
The arguments for centralization examined.

17. It may be argued that centralization and provincialization in the sense relevant to the present discussion raise no question of the judicial independence of the High Courts. It is well established in political theory and in general constitutional practice that the judicial independence of the judges is secured by the nature of the tenure of their office. Ordinarily it is considered to be an adequate safeguard that judges should hold office during good behaviour and that the power of dismissal required to meet cases of misbehaviour or grave unfitness should be normally exercised by a body of judges of the highest grade. But the provisions of the Government of India Act are even fuller safeguards of the judicial independence of the Judges of High Courts. It is not proposed to diminish them. Indeed, the case for provincialization would be in no degree weakened if the power which local Governments at present possess to fill temporary vacancies were withdrawn. That provincialization in any way affects the independence of a High Court, its prestige or its power to intervene in protection of the subject against abuse of executive authority, would be denied by those who admit in the High Court at Calcutta no superiority in these respects over the High Courts in provinces where provincialization has a history as old as and happier than the history of Bengal where there is centralization.

In a similar manner it may be argued as regards the interference of the local legislatures, that the cases collected in the appendix to the note do not establish a case for the total exclusion of discussion of all administrative acts of the High Court from the competence of the local legislatures. Many of the subjects discussed on these occasions were matters in themselves eminently appropriate for public debate. If debates were so conducted as to permit, whether by the use of irrelevant arguments or by abuse of language, any scandalizing of the Courts the remedy lies in amendment of the rules of procedure, and not in the wholesale prohibition of discussion. The argument from prestige is of course similar to the argument that an irresponsible executive is stronger than a responsible executive. In that case high authority has reached conclusions favourable to a popular executive, and it may be that reasonable discussion of a High Court's administration would enhance rather than diminish its prestige.

18. The case for provincialization, however, might perhaps find its strongest support in positive arguments. It might be argued that provincialization, in the absence of evidence to the contrary, may be taken to have worked well throughout India (except Bengal) where it has always been the rule. It has proved itself appropriate in the varying constitutional conditions up till the present day. It will, therefore, be doubly appropriate in the new constitution, if that constitution makes any approach to provincial autonomy, or enlarges provincial functions.

But the ultimate test must be the essential nature of the administrative functions exercised by the High Court. Is their exercise a matter of provincial concern? The principle suggested by the authors of the Report on Indian Constitutional Reforms is contained in the following extract from paragraph 238 of the Report. "The Committee's first business will be to consider what are the services to be appropriated to the provinces, all others remaining with the Government of India. We suggest that it will find that some matters are of wholly provincial concern, and that others are primarily provincial but that in respect of them some statutory restrictions upon the discretion of provincial Governments may be necessary. Other matters again may be provincial in character so far as administration goes, while there may be good reasons for keeping the right of legislation in respect of them in the hands of the Government of India."

It may be argued that on that principle the administration of justice has rightly been classified as a provincial subject. It is immaterial whether the administration is entrusted to the High Court or to the local Government. The degree of provincial concern is in no way affected by the distribution of functions. The local legislature as the representative of the provincial population must have control of or influence over the administration wherever it is vested. The argument may perhaps be accepted so far as to admit that there is possibly a scope within which the provincial executive and the provincial legislature may reasonably claim that the administration of justice by the High Court is a purely

provincial concern which must be treated as a provincial subject. What that scope is must be ascertained by examining in succession each of the administrative functions of the Court. A prominent instance of these functions is the power of the High Court under section 122 of the Code of Civil Procedure to amend the rules in the First Schedule to that Code. That function is "centralized" in Bengal but "provincialized" elsewhere. It may be contended that it was a fundamental principle in framing that Code that the provisions of the Act itself should affect only those matters which must preserve uniform features throughout India, and that the first schedule is a vast compendium of matters found to be appropriate for adjustment to suit the requirements of each High Court's jurisdiction as necessity arose. The contents of the First Schedule are, therefore, matters of purely provincial concern, and the High Court's powers to amend it must therefore be subject to provincial control and influence alone.

Again the powers of the High Court to make rules, prescribe forms and settle tables of fees are matters which satisfy the test prescribed by the Joint Authors. They are matters with which the provincial population is gravely concerned, and they are the concern of no one else. Of the same nature is the regulation of the places at which the High Court will hold its sittings.

It may also be contended, and it is in fact contended, that the composition of the subordinate judiciary, the presence and absence of nepotism in its recruitment, its integrity, and its familiarity and identity with provincial conditions are matters in regard to which the High Court's administration is a provincial concern. It may be with some show of reason argued that communal representation, so far as it has been recognized as a principle in services generally, is a not illegitimate provincial demand in the case of the subordinate judiciary; and, if popular opinion is seriously affected by it, its consideration is a purely provincial concern. Finally, however welcome the assumption of the financial burden by central revenues may be, it may be contended that the adequacy of the strength of the High Court, the facilities for obtaining justice at its hands, and any serious congestion of its business are matters on which provincial opinion is entitled to express itself even if the charges of the Court should be made provincial Consolidated Fund charges. Administrative control and financial control however must go together, and since the first must be provincial the latter must be provincial also.

APPENDIX. (SEE PARAS. 13 AND 17.)

The Bengal Legislative Council.

1. On the 15th March, 1921, Maulvi A. K. Fazl-ul-Haq moved that the demand for Rs. 1,30,000 for the preparation of paper books in the High Court be refused. The cut was carried by 71 votes to 35. (Bengal Legislative Council Debates, 1921, Vol. I, No. 5, page 137.)

2. On the 22nd March, 1921, Professor S. C. Mukherjee moved that the demand for Rs. 1 lakh under the head " Civil Works " for constructing a residence for the Chief Justice of Bengal be refused. The cut was carried by 63 votes to 34. (Bengal Legislative Council Debates, 1921, Vol. I, No. 5, page 352).

3. On the 20th March, 1922, Babu Surendra Nath Mallik moved that the demand for Rs. 50,000 for High Court paper books be refused. The cut was carried by 46 votes to 33. (Bengal Legislative Council Debates, 1922, Vol. VII, No. 5, page 95.)

4. On the 24th March, 1924, Maulvi Wahed Hossain moved that the demand for Rs. 35,940 under the head " 24A, High Court " for the provision for preparation of paper books in the appellate side of the High Court be refused. The cut was carried by 67 to 56. (Bengal Legislative Council Debates, 1924, Vol. XIV, No. 5, page 199.)

5. A year later Maulvi Muhammad Nurul Haq Chaudhury moved that the demand for Rs. 2,000 under the head " 24A, High Court Judges' travelling allowance " be refused. On this motion a number of questions was allowed to be agitated. A specimen extract is given to illustrate the tone of the debate :—

" I may say that the quality of the justice administered by the High Court has deteriorated now. I must most respectfully say that some of the Judges who ought to preside over criminal courts are now adorning the Bench, and I must most respectfully say that they have got a distinct bias towards some of us." (At this stage the speaker was called to order.)

The motion was put and lost. (Bengal Legislative Council Debates, 1925, Vol. XVII, No. 4, page 255.)

6. On the 17th March 1926 Maulvi Sayyed Sultan Ali moved that the grant under the head " 24-Administration of Justice " be reduced by Re. 1. The object was to call attention to the paucity of appointments of Munsifs given to Mussalmans. The appointments are made by the High Court and the motion, therefore, involved an attack on the High Court for ' not showing any inclination to do justice to our community in this respect '. The speaker continued :—

" If the appointing authorities want to keep us out on the ground that it is to oblige the Hindu Munsifs, Subordinate Judges and District Judges by appointing their sons and sons-in-law and other relations, which is usually done, then let them plainly tell us that the Mussalmans will have no place in the judicial service in this province."

Further, the same speaker said :—

" Sir, is it not simply scandalous ? When the Calcutta High Court has shown obstinacy in the matter there is no other alternative but to amend the law in such a manner as to relieve

the High Court from the irksome duty of appointing judicial officers in the Provincial Judicial Service and vest it in the local Government."

The motion was eventually withdrawn, but in the meantime many undesirable things had been said. (Bengal Legislative Council Debates, 1926, Vol. XX, No. 3, page 132.)

7. On the 16th March, 1927, Maulvi Mohamed Sadique moved that the demand of Rs. 82,000 under the head "24-A, High Court—Original side—Registrar" be refused. The alleged object of the motion was to elicit information as to the principle or principles on which there are two systems of court fees, one system of *ad valorem* court fees for the *mufassil* and the other system for the rich citizens of Calcutta for which the original side of the High Court is maintained. In the course of his speech the Member said :—

"The Original Side of the Calcutta High Court is a standing monument of this iniquitous system—a monument which is maintained at the expense of the poor."

The motion was put and lost by 48 to 11. (Bengal Legislative Council Debates, 1927, Vol. XXV, No. 3, page 221).

Bombay Legislative Council.

8. On the 6th March 1924, Mr. R. G. Pradhan moved that item no. 157, Establishment for a tenth Additional High Court Judge, be omitted. The speaker observed that the appointment of a High Court Judge is non-votable. Consequently no demand was made by the Honourable the Home Member for the salary which will have to be paid to the additional High Court Judge. His object in making the motion was to bring pressure to bear upon Government in order that they might consider whether it would not be possible for them to postpone the appointment of the additional High Court Judge for some time more. The speaker then went on to say that there was no other institution for which the House felt higher respect than the High Court, and he felt confident that the House would be willing to comply with any requirements the High Court might demand. At the same time, by way of disproving what he had already said, he added that he felt that the necessity for the appointment of the additional High Court Judge had not been made out. He then proceeded to say that he did not see why the remaining High Court Judges should not be able to cope with the business that they had to perform. In other words, he accused the High Court Judges either of managing their work badly or of being idle. (Bombay Legislative Council Debates, 1924, Volume XI, page 832.)

9. On the following day Mr. R. D. Shinde moved that the provision for the pay of establishment,—Registrar, Appellate Side, Bombay High Court, be reduced by Rs. 86. The object of the motion was to require economy to be practised in fixing the pay of the establishment of the High Court. The motion was ruled out. (Bombay Legislative Council Debates, 1924, Volume XI, page 887.)

Madras Legislative Council.

10. On the 23rd March, 1921, Rao Bahadur T. M. Narasimhaacharlu moved that the provision of Rs. 50,520 made for 26 Bench Clerks in the High Court be reduced by the cost of four clerks. The motion was made on the grounds of economy, and was supported by Mr. R. K. Shanmukham Chetty, who took the opportunity "of drawing the attention of the House to the way in which the affairs of the High Court are administered, especially the way in which recruitments are being made for the judiciary". Among other things, he said "I see that the way in which the High Court have recruited District Munsifs is not at all satisfactory," and he concluded by saying, "I support the motion because I am not satisfied with the way in which the High Court is administering justice in the matter of recruitment". The motion was withdrawn. (Madras Legislative Council Debates, 1921, Vol. I, pages 1085 to 1087.)

11. On the 15th March, 1923, Rao Bahadur T. B. R. Nayudu moved to reduce the allotment for Translators and clerks of the High Court by Rs. 15,852. The motion was not pressed. (Madras Legislative Council Debates, 1923, Vol. XIII, page 2410.)

12. On the same day Rao Bahadur C. N. Mudaliyar moved to omit the allotment of Rs. 5,45,231 for the High Court and stated that he intended to press the motion to a division. He said that he had noticed and had mentioned in the House many times that the High Court in the Judicial Department had been consistently disregarding the resolutions of the House and the various communal Departmental Orders thereon. He went on to say that if the High Court was not amenable to the wishes of Government, it was the duty of the House to address the Secretary of State immediately to bring the High Court to order. The communal claim, which had been accepted by the Government of India and the Legislative Assembly, had now become an all-India question. He complained that the resolutions of the Madras Government had not been given effect to by the High Court. He went on to say that persecution had replaced the original oppression. The motion was apparently made for the purpose of saving the non-Brahmin community. (Madras Legislative Council Debates, 1923, Vol. XIII, page 2412.)

13. On the 22nd March, 1924, Mr. A. Ramaswami Mudaliyar moved that the allotment to the High Court be reduced by Rs. 1,000, firstly in connection with the right of the High Court to appoint District Munsifs, and secondly in relation to the patronage exercised by the High Court. The debate turned mainly on the desirability of giving communal representation in the appointment of District Munsifs. (Madras Legislative Council Debates, 1924, Vol. XVII, page 981.)

14. On the 24th March, 1925, Mr. S. Satyamurti moved a cut of one lakh from the allotment for Judges and Registrar of the High Court. The intention of the motion was to recommend the reduction of the strength of the High Court from 14 to 12. During the debate the Honourable Mr. C. P. Ramaswami Ayyar who was the Law Member remarked

"It is not right, it is not expedient, it is not wise to traverse the question of the equipment of Judges on the floor of this House. The High Court and the personal equipment of the Judges of the High Court must be matters beyond controversy on the floor of the House. All that I wish to say is that these Judges with the best will in the world have been attempting to do their work but have still got arrears." The debate proceeded at great length, and finally the cut was carried by 31 votes to 28. This was followed by a further motion for a cut of Rs. 1,111 from the allotment for High Court Judges and Registrar. Here, again, the question raised was purely communal, in respect of appointments. An amendment to the cut by which it was reduced to a cut of one rupee was accepted. (Madras Legislative Council Debates, 1925, Vol. XXIII, pages 664 to 680.)

15. On the 20th March, 1926, Mr. A. R. Mudaliyar moved that the allotment for Judges and Registrar be reduced by Rs. 101. He proposed to make High Court Judges work on Saturdays. The motion was withdrawn. Another motion for a cut of Rs. 100 was made by Khan Bahadur P. Khalif-ul-lah Sahib Bahadur, and the tone of that motion was purely communal. It referred to the appointment of Sir Abdur Rahim as Executive Council Member in Bengal and the failure to fill the vacancy caused in the Bench of Madras with a Muhammadan. This resulted in a lengthy debate, at the end of which the motion was withdrawn. This was followed by a motion by Mr. A. R. Mudaliar for a cut of one lakh from the allotment for the High Court. This dealt with the appointment of subordinate Judges by the High Court. The motion was withdrawn. It was followed by a token cut of one rupee 'to urge upon the Government the necessity of appointing Mussalmans whenever opportunity occurs in respect of the posts of High Court Judges, Legal Remembrancers and officers like that'. (Madras Legislative Council Debates, 1926, Vol. XXIX, pages 372, 374 and 394.)

16. On the 21st March 1927 Mr. Sami Venkatachalam Chetti moved for a cut of Rs. 100 in the allotment of Rs. 68,400 for the pay of officers. In doing so, he desired to draw the attention of the Government to the retention of temporary Judges. For the past five or six years it had become the practice to keep one or two High Court Judges temporarily. He went on to say that after all, however Honourable the High Court Judges might be, it was just possible that there could be no inducement for the speedy disposal of arrears so long as they were put on temporary rations, and that the Judges of the High Court were not suitable persons to decide whether Additional Judges were necessary. He said that he believed it ought to be a very delicate matter for the Honourable Judges of the High Court to say that two of their colleagues were not necessary. He went on to say that it was therefore better not to refer the matter of the appointment of extra Judges to the Judges of the High Court at all, but to refer it to a representative body more largely representative of clients than of Vakils and examine the question of accumulation of arrears, and that it would then be known whether the accumulation of arrears was due to the want of more Judges or to

the want of speedy disposal of cases by the permanent Judges. There is a very unpleasant reflection on Judges of the High Court in the following passage which occurs in his speech—"There is another reason, Sir, why Judges ought not to be kept up for temporary periods. That will be giving a power in the hands of the executive, and the Honourable the Judges will naturally be looking up to the Executive Government for their extension." The motion was carried by 50 votes against 30. (Madras Legislative Council Debates, 1927, Vol. XXXV, page 577.)

17. On the following day Mr. S. Satyamurti moved that the allotment for the pay of establishments of the High Court be reduced by Rs. 100. He said that his object was to discuss the treatment meted out to the *Madras Weekly Notes* by the High Court. It appears that the *Madras Weekly Notes* published an article on the subject of the promotion of Barrister Judges to the position of Chief Justice, that the High Court had taken offence and, by way of punishing the Editor of the *Madras Weekly Notes*, had withdrawn the privilege of access to the records of judgments previously enjoyed by that paper for reporting. Mr. Satyamurti proceeded to say that he found it very surprising that the highest court of justice, which was asked every day to upset the orders made by the subordinate judiciary, civil and criminal, on the ground that they had gone against the fundamental maxim of justice namely, that even a murderer deserves to be heard before he is hanged, should have in a matter like this exhibited such temper as to punish a man without giving him a chance of saying yes or no in his defence. The motion was carried by 51 to 41. (Madras Legislative Council Debates, 1927, Vol. XXXV, page 626.)

Bihar and Orissa Legislative Council.

18. On the 7th March, 1922, Babu Ganesh Datta Singh moved that the item of Rs. 3,000 for duty allowance be omitted. This apparently referred to the establishment of the Deputy Registrar and Assistant Registrar of the Patna High Court, and the motion was directed against the system of appointment of Deputy Registrars and Assistant Registrars from the Munsifs. The motion was carried by 17 votes to 12. (Bihar and Orissa Legislative Council Debates, 1922, Volume IV, page 1079.)

19. On the same day Babu Nirsu Narayan Singh moved to reduce by Rs. 1,000 the provision for the High Court. The mover began by saying that he felt it a painful duty to place before the Council the grievances which the people have against the High Court on its administrative side. He said that the first grievance was that no Bihari or Oriya had been appointed a Deputy Registrar, and in the lower grades, for instance in the Accounts Department, there was not a single Bihari. He went on to say that Biharis were excluded "because if any man has anything to do with the Accounts Department of the Patna High Court, he would come to know that the Accounts Department is full of bribery and that no man can draw a penny from that department without paying something to it". He then proceeded to reflect on the

Translation Department of the Patna High Court. The Honourable the Government Member pointed out that the motion amounted to a vote of censure on the administrative capacity of the Honourable Judges of the High Court. The motion was put and carried by 27 votes to 15. (Bihar and Orissa Legislative Council Debates, 1922, Volume IV, page 1086.)

20. On the 23rd August, 1922, Babu Ganesh Datta Singh moved for omission of the supplementary grant of Rs. 2,407 for temporary establishment and of Rs. 5,250 for contingencies in connection with the appointment of two Additional Judges to the Patna High Court. His contention was that the utmost the Court should ask for was one additional Judge. His remedy was that the High Court should sit the whole day on Saturdays. He also moved for the omission of the supplementary grant of Rs. 3,168 for the paper book establishment of the High Court. His second motion was withdrawn and the original motion was negatived. (Bihar and Orissa Legislative Council Debates, 1922, Volume V, pages 763 and 770.)

21. On the 18th March, 1925, Mr. Shiva Shankar Jha moved that the demand under the head "24-Administration of Justice be reduced by Rs. 100. The object of the mover was to criticise the Government for attempting to dictate to the High Court. The motion was apparently based on some correspondence, and the allegation was that the local Government wrote to the High Court protesting against a judgment of the High Court and asking for an explanation from the High Court. The High Court for their part declined to enter into correspondence with Government and protested against the interference by the Executive. The Government Member repudiated the charge and accused the mover of endeavouring to make bad blood between the executive Government and the High Court. The motion was carried by 41 votes to 27. (Bihar and Orissa Legislative Council Debates, 1925, Volume II, page 1441.)

THE SUPERIOR CIVIL SERVICES IN INDIA.

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The Superior Civil Services in India.

Introductory. The Civil Services in India represent an elaborate organisation dealing with many sides of the life of the community. Some of the functions which they undertake are in other countries left to the management of local bodies, but it is perhaps fair to assume that for a considerable

time to come the Government services in India will remain as the indispensable agency through which public policy will be put into action and adjusted to the varying needs and conditions of the great areas and populations which they serve at present.

2. The main services in India are divided into the following classes :—

- (a) All-India,
- (b) Central,
- (c) Provincial.

The Superior Services as described by the Lee Commission.

Paragraph 6 of the report of the Royal Commission on the Superior Civil Services in India, which is reproduced below, explains the nature of these services as they stood at the date of the Royal Commission's enquiry :—

" 6. The great majority of Government officials in India are divided into classes corresponding to differences in the responsibility of the work performed and the qualifications required. These classes are organised for the most part as "Services". This Commission is concerned only with the highest or the Superior Civil Services dealing with each branch of the administration. The second class of Services is usually known as "provincial"; the third class as "subordinate"; and with these the Commission is not directly concerned.

The Superior Civil Services themselves are divided into two classes, according as they administer subjects which are under the direct management of the Central Government in India or subjects which are primarily controlled by the Provincial Governments. The former class consists of the Central Services, which deal, *inter alia*, with the Indian States and frontier affairs, the administration of the State Railways, with Posts and Telegraphs, Customs, Audit and Accounts, and with scientific or technical departments such as the Survey of India, the Geological Survey and the Archaeological Department. The other class which works primarily under the Provincial Governments comprises the All-India Services. The term may at first sight appear inappropriate to Services which are essentially concerned with administration in the Provinces. It marks the fact, however, that these Services are recruited by the Secretary of State, for work in any part of India, and that each, though scattered through the Provinces, forms one Service with one basis of remuneration. Though an officer of an All-India Service is assigned to and as a rule remains in one Province throughout his career, he may be transferred to another Province; while a certain number of officers are taken by the Government of India from the Provinces to assist in the discharge of its central functions. Services of this nature differ essentially from the Provincial Services which are recruited in a

Central Services.

All-India Services.

Province solely for provincial work, and it is to mark this distinction that these Services have been given the title of "All-India". As the main part of the actual administration of India is carried out by the Provincial Governments, it follows that the All-India Services are the main executive agents of the administration throughout the country. The following table shows the sanctioned strength and actual numbers of these Services on 1st January 1924 :—

The All-India Services.

	Sanctioned Strength.	Actual Numbers.
Indian Civil Service	1,350	1,290
Indian Police Service	732	739
Indian Forest Service	399	318
Indian Educational Service—		
(Mon)	370	309
(Women)	42	36
Indian Agricultural Service	157	109
Indian Veterinary Service	54	38
Indian Forest Engineering Service	18	17
Indian Medical Service (Civil)	420	373
Indian Service of Engineers	728	716
TOTAL	4,270	3,075 "

Changes as a
result of the
Lee Commis-
sion's Report.
(i) The All-
India
Services.

3. Broadly speaking this description of the Services still holds good ; but the recommendations of the Royal Commission have led to certain important changes. While some of the All-India Services remain on the old basis, recruitment for them continuing as before under the control of the Secretary of State in Council, recruitment for the remainder has been definitely closed down, and though the existing members of these Services retain all their old rights and privileges, power has been delegated to local Governments to recruit and organise their own Provincial Services to replace these All-India Services as they gradually disappear. The All-India Services which remain unaffected, are in the first place those which deal with the reserved branches of administration, namely, the Indian Civil Service (which, however, though mainly concerned with reserved subjects, exercises also certain functions for the transferred side), the Indian Police Service, the Indian Service of Engineers (Irrigation Branch), the Indian Forest and Indian Forest Engineering Services (save in Burma and Bombay where "Forests" has been made a transferred subject), and in the second place the Indian Medical Service which, though it deals (except in respect of "Jails") with transferred subjects, is a Military Service and thus necessarily remains under the control of the Secretary of State. The other All-India Services, namely,

the Indian Service of Engineers (Buildings and Roads Branch*), the Indian Forest and Indian Forest Engineering Services (in Burma and Bombay), the Indian Educational Service, the Indian Agricultural Service and the Indian Veterinary Service have since 1924 been closed to fresh recruitment and are gradually disappearing as the existing members retire.

4. With regard to the Central Services, control is being retained by the Secretary of State in Council over the Political and Ecclesiastical Departments, over recruitment outside India to the Indian Railway Service ‡ of Engineers, the Superior Revenue Establishment of State Railways† and the Superior Telegraph Engineering and Wireless Branches of the Indian Posts and Telegraphs Department and over those portions of the Survey of India and the Mint and Assay Departments which consist of Military officers holding the King's Commission. But with these exceptions it has been decided that power to recruit, organise and control the Central Services should be delegated to the Government of India, and the delegation of powers only awaits the final settlement of the draft of the necessary statutory rules. It should be explained that the Central Services are being arranged in two classes; Class I representing the Services which are regarded as "Superior" and whose status is comparable with that of the All-India Services, and Class II corresponding in status to the old Provincial Services in the Provinces.

5. The position, therefore, which has resulted from the decisions taken on the report of the Lee Commission, may be summarised as follows. Of the old All-India Services (excluding the Indian Medical Service to which, owing to its military composition, it has been necessary to give special treatment) the only ones that remain for the future on an All-India basis and continue to be recruited and controlled by the Secretary of State in Council are those which deal wholly or mainly with the reserved field of administration. The remainder of the All-India Services are being converted into new Provincial Services of a standard higher than the old Provincial Services inasmuch as they are being made responsible for the work which was previously done, not by a Provincial Service, but by an All-India Service. The Secretary of State is also parting with his control over the majority of the Central Services, Class I, which he had previously in varying degrees exercised. The Secretary of State in Council thus retains control over—

(a) the All-India Services in the reserved field and the Indian Medical Service,

(b) two Central Services and certain portions of others.

* Save in Assam and Madras. In Assam the whole of the public works is a reserved subject. In Madras the Irrigation Branch has not yet been separated from the Buildings and Roads Branch, and recruitment is therefore still made to the combined cadre.

† Except the Coal Department to which recruitment in England is made by the High Commissioner for India.

Extent of control delegated to the Government of India and Provincial Governments.

The Government of India will receive full powers of control over the other Central Services, and the Provincial Governments have full powers of control over, not only the old Provincial Services, but the new Provincial Services which are being built up to take the place of the All-India Services in the transferred field.

6. When it is said that full powers of control are exercised by the Government of India or by Provincial Governments it must be understood that the delegations of power by the Secretary of State are being made subject to certain general conditions designed to safeguard the rights of existing members of the Services, to ensure impartiality in making first appointments by utilising the services of the Public Service Commission or of permanent Boards of Selection when appointment is made otherwise than by competitive examination, and finally to secure the observance of a proper procedure and rights of appeal in disciplinary cases. Subject to these general conditions, the organisation of the Services, the numbers, the pay and the conditions of service generally, and the method of making first appointments as well as the ordinary administrative control are entirely in the discretion of the Governments concerned. Where, on the other hand, the Secretary of State in Council has retained his control, he exercises it strictly and himself prescribes the strength of the Service, including both the number and character of the posts to be filled, the methods of recruitment, the conditions of service, the pay, allowances and pensions, and while the ordinary administrative control of the members of these Services rests naturally with the particular Governments under which they are working, the Secretary of State in Council is the final authority in matters of discipline and in all representations that the members of the Services may make in regard to their conditions or the equity of their treatment.

Grounds for resting the nature of control on the distinction between reserved and transferred fields.

7. This close control exercised by the Secretary of State in Council over the Services with which he still concerns himself, though it may multiply references between India and England, is generally regarded by the members of those Services and by potential recruits as an important safeguard against the possible consequences of unforeseen changes in India, and it is feared that without this control British recruits of high standard could not now be obtained. On the other hand, it must be admitted that control of this character over the agents of administration may be irksome to a popular government, and indeed tends to bring such a Government into relations with the Secretary of State which it may be difficult in theory to justify. These are among the considerations which may be regarded as having led the Lee Commission to rest their recommendations for the re-organisation of the All-India Services on the distinction between service in the reserved field and service in the transferred field. The sphere of the reserved side of the Provincial Governments was not only that in which responsibility to the Legislative Council had not been conceded; it was also that in which a high standard of administration throughout India and the continuance of a proportion of British recruits was considered most necessary. On the transferred side, however, the experiment was

made of leaving responsible Ministers to organise their own services. A hope was expressed by the Lee Commission that this would not involve the complete cessation of European recruitment and it is understood that in Burma for instance for the Forest Service the Local Government will endeavour to obtain a substantial proportion of European recruits. In many quarters, however, it is assumed that the provincialising of these Services is likely to involve as a rule the practical discontinuance of British recruitment.

8. If dyarchy is continued in the new constitution, the principle of control, which emerges from the Lee Commission's recommendations, may be expected to be maintained, and the Services dealing with the reserved field would naturally remain under the control of the Secretary of State, while those dealing with the transferred field would be controlled by the popular side of the Government. If, however, the Provincial Governments are unified, it will be necessary to examine the question of control of the remaining All-India Services on different lines. The problems that may present themselves would be somewhat as follows :—


Problems of control under a unitary system of Government.

- (a) Are there any portions of the field of provincial administration in which Parliament would feel that it has a special responsibility?
- (b) If so, could that responsibility be exercised sufficiently by an external control of results, or would it be necessary for Parliament to assure itself that the general scheme of administration is sound, and for that purpose that the organisation and composition of the Services dealing with these portions of the administration are satisfactory?
- (c) Do the interests of the general administration of the country require that in certain branches there should be a high and uniform standard which could not be ensured if Services were organised and recruited on a provincial basis?
- (d) If it appears on any of the above considerations that in certain Services the continuance of a British element is required, could that element be obtained except through the assurance given by the control of the Secretary of State?

With regard to the Central and Provincial Services, it will have to be considered whether the ultimate powers of control which the Secretary of State in Council at present possesses under section 96B (2) of the Government of India Act, and which have only been delegated to the Governments in India, subject, as explained above, to certain general safeguards intended to maintain the efficiency and purity of these Services, should remain as at present, or whether it would be desirable to confer unrestricted power in these matters on the Government of India or the Provincial Governments.

9. In order to facilitate a decision on some of these questions an attempt will be made to sketch in the most general terms the functions

Functions of the reserved Services.

A.—All-
India Ser-
vices.
(i) The  Indian Civil
Service.

The District
Officer.

of those Services over which the Secretary of State still retains direct control, and in particular of the Indian Civil Service. The ordinary work of the Indian Civil Service is divided into two main branches, the executive and the judicial, to one of which officers are allotted as a rule after six or eight years' service and in which they ordinarily remain. The chief work of the executive branch lies in the district administration, and to explain the position of the Magistrate and Collector or District Officer (or Deputy Commissioner, as he is called in certain provinces), it is desirable to say a word about the system of district administration. The most essential feature of the local administration and one which is common to the whole of British India is the division of the country into districts, at the head of each of which is the District Officer who may be regarded as the direct representative of the Government for all general purposes in the district. It is in the district administration that the Government establishes its most direct contact with the people. The district is a unit which has grown to be part of the life of the people. It is not a mere administrative convenience, but may be regarded as an essential part of the organisation of the community. It has established itself in this position, because it corresponds to certain fundamental characteristics of the people. India has always been accustomed to personal relations between the people and those who have been set in authority over them, and the instinct of the people demands that they should be able to state their grievances in person to some individual who is in a position either to remedy them himself or to represent them to the distant and impalpable Government. India is a land of numerous grievances and of many petty tyrannies. It is also a land in which administrative abuses develop with remarkable rapidity unless they can be kept in check by a vigilant personal supervision. For all these reasons a system which brings Government officers, who are not mere clerical functionaries, but who are capable of dealing with the numerous practical problems and practical difficulties as they arise, into close contact with the people in an area of manageable size, is one the advantages of which are recognized equally by the Government and by the mass of the population. It provides an essential elasticity in the dealings of Government with the people and ensures prompt and practical communication to the Government of local calamities, local requirements and local feeling on matters of administration.

10. The two titles by which the District Officer is in most provinces known, *viz.*, Magistrate and Collector, indicate his primary functions. As chief magistrate of his district he is responsible on the one hand for supervising on the administrative side the magisterial work of the subordinate magistrates, and on the other hand, through the executive powers conferred mainly by the Code of Criminal Procedure, for maintaining peace and good order throughout his district. For this latter purpose also he exercises a general control over the Police. As Collector he is the chief revenue authority responsible for the collection of the land revenue and other less important Government dues. But in this capacity his main functions are not really those merely of collecting the

land revenue. It is his duty to look to the whole agricultural condition of the district on which the collection of the land revenue depends, to watch for symptoms of deterioration or to help projects for improvement, to recommend the suspension or remission of the land revenue on the occurrence of any calamity, to administer famine relief, to concern himself closely with all the problems of the relations between landlords and tenants and the system on which land tenures are based. These are his main duties as Magistrate and Collector. But in addition he used to be until recently and still is in the Punjab the Chairman of the District Board and thus in a position to exercise a powerful influence on the local administration of education, sanitation, hospitals, the upkeep of roads, etc. Not many years ago he used also to be the Chairman of the Municipal Boards in the district. As the direct representative of the Government for all general purposes in the district it is also his duty to keep in touch with the activities of all the special departments.

11. Details of his relations with other departments and of his general position are to be found in the accounts of the administration which have already been furnished to the Statutory Commission by the Government of Madras and the Government of the Punjab, and it is unnecessary to attempt to repeat or paraphrase the details which will be found in those notes. It is, however, important to consider to what extent the system of dyarchy may be expected to impair that general interest of the District Officer in all branches of the administration in his district which has hitherto been an important characteristic of his position. The development of special departments such as, education, public health, etc., has naturally tended to restrict his direct powers, but not seriously to curtail his opportunities for co-ordinating the various governmental activities. But if the District Officer comes to be regarded as the representative only of the reserved side of the Government, he may lose touch with the important branches of administration which have been entrusted to the transferred side. This from the administrative point of view might have unfortunate results, not only on the position of the District Officer, but on the activities of the transferred side of Government. The transferred side not less than the reserved may be held to require under Indian conditions its own general representative in the district, and if it no longer makes use of the District Officer it seems possible that it will tend to lose touch with realities and to depend too much on centralised departments carrying out paper schemes without any very close regard to their actual effects on the population. Again while at present the District Officer retains certain powers of supervision over the local bodies in his district, there is a natural tendency to criticise a system which entrusts powers of supervision over a very important transferred branch to an officer whose main functions are concerned with the reserved side, and the exclusion of the District Officer from the powers of supervision which he at present exercises would be a not unnatural development of any accentuated system of dyarchy. On the other hand it may be argued that local bodies may need more than ever, as they are making their early experi-

Possible developments under dyarchic system.

ments in self-administration, the wise and practical assistance and advice of a local officer in the position of the District Officer, and that if the District Officer is removed from this position, and if there is no one who can be put in his place, the Provincial Governments may find themselves hampered in maintaining that degree of practical touch with local bodies which the circumstances of the time may seem to require.

It may be desirable to enquire in the Provinces whether any of the tendencies suggested above have in fact begun to show themselves, whether, if so, such developments are regarded as undesirable, and whether any accentuation of the system of dyarchy would be likely to make such developments more pronounced.

The Judicial
Branch,

12. The second main branch of the Indian Civil Service is the judicial. Members of the Indian Civil Service, corresponding in length of service and in status to District Officers, fill the important posts of District and Sessions Judges in which capacity they combine both civil and criminal jurisdiction. The Sessions Judge tries with the aid of assessors or juries the most serious criminal charges which have been committed for trial by Magistrates. They also hear appeals from the decisions of Magistrates who are empowered ordinarily to inflict sentences of imprisonment only up to two years. Appeals from the sentences of Sessions Judges go to the High Court. The importance of a firm and impartial administration of criminal justice to the general welfare of the people is very great, and the functions which the Indian Civil Service performs on the judicial side should not be under-estimated in comparison with the authority which they exercise on the executive side.

Special Posts.

13. Finally, there are a number of miscellaneous posts such as Secretaries to Government and the higher administrative posts on the executive side, e.g., Commissioners and Members of Boards of Revenue, while on the judicial side a certain number of officers rise to the position of High Court Judge and in the High Courts provide a valuable element of practical knowledge derived from many years' experience of the actual administration of the criminal law in districts. Members of the Indian Civil Service also fill certain posts of members of the Executive Councils of Governors and of the Governor-General, and, except in the Presidencies, are normally appointed as Governors.

(ii) The
Indian
Police
Service.

14. The functions of the other Services may be described more briefly. Important though those functions are, there is nothing in them so peculiar to Indian conditions as the position of the District Officer. While the District Magistrate is primarily responsible for maintaining law and order in his district, the actual agency through which the peace is preserved is the police force, which is organized under a District Superintendent of Police, who is a member of the Indian Police Service. The functions of the District Superintendent of Police are becoming more difficult and more important. The police are responsible, under the general control of the District Magistrate, not only for the prevention and detection of crime, but for duties in connection with the preservation of peace, which in recent years have become more and more delicate.

In consultation with the District Magistrate it falls to them to regulate religious processions and prevent clashes between the rival communities. When as not infrequently happens, the peace is broken in connection with religious or industrial disputes, the police have to bear the brunt of the encounter with the mobs and to exercise, subject to the control of any Magistrate that may be present, their discretion as to the nature and degree of force which may be required to restore order. Though in the districts the police work in the closest touch with the District Magistrate, the police force is of course organised provincially as a self-contained body, under the administration of the Inspector General of Police assisted by Deputy Inspectors General, who in their turn supervise the work of the District Superintendents.

15. Officers of the Irrigation Branch of the Indian Service of Engineers have designed and executed, and maintain, irrigation works on a scale not approached in any other country. The importance of their activities naturally varies in different provinces, but in the Punjab in particular, in the United Provinces, in the Madras Presidency, and now in the great Sukkur Barrage Project in Sind, very large capital sums have been sunk in the provision of works on which depend, not only the agricultural prosperity of large tracts of country, but in many cases their actual economic existence. (iii) The Indian Service of Engineers (Irrigation Branch).

16. The Indian Forest Service administer property the potential value of which is very great. Their work consists, not only in administering the forest areas, maintaining the forests and carrying out schemes of afforestation, but also in commercial exploitation of the resources of the forests. For this purpose important scientific and economic work is carried out in the Forest Research Institute at Dehra Dun. It has already been mentioned that in Burma and Bombay, where Forests is a transferred subject, recruitment for the Indian Forest Service has ceased, and its functions in these provinces will gradually be transferred to new Provincial Services. The considerations for and against the transference of "Forests" in the remaining provinces, which would presumably carry with it the complete cessation of recruitment for the Indian Forest Service, have been discussed in a separate Memorandum. (iv) The Indian Forest Service.

17. The Indian Medical Service is primarily a Military Service maintained for duties in connection with the Indian Army. In practice, however, approximately half the total numbers of this Service have been employed in civil administration, and the Civil Branch of the Indian Medical Service is one of the important All-India Services. The whole question of the organisation of the Indian Medical Service has come under most careful review in connection with the recommendations of the Lee Commission. The number of posts reserved to the Indian Medical Service in the civil administration has been appreciably curtailed, the object being to maintain in civil posts only such number of Indian Medical Service officers as are required to form the necessary reserve of military doctors for the Army and to provide, by a system of grouping, for attendance by British doctors on British members of the Superior (v) The Indian Medical Service (Civil).

Civil Services. The greater number of Indian Medical Service officers employed in the provinces are Civil Surgeons of districts, their duties being, apart from attendance on the members of the Superior Services, to supervise generally the medical and hospital arrangements throughout the district, to advise on sanitation problems where there is no special staff employed for the purpose, to take measures for dealing with epidemics, etc., and generally to look after the public health of the district. Hitherto, though it is uncertain how long the system will continue, an appreciable number of Indian Medical Service officers have been employed as wholtime Superintendents of the most important jails, while Civil Surgeons have usually in addition to their other duties been placed in charge of District Jails. The administration of jails is a reserved subject, but the work of the Indian Medical Service is primarily concerned with transferred subjects and this Service provides the only instance of an All-India Service which is being continued on the old lines, and which yet deals primarily with transferred subjects. But the reorganisation referred to above will enable Local Governments to make a start with developing their own Provincial Medical Services to replace a number of posts which had hitherto been held by Indian Medical Service officers.

B.—Central Services controlled by the Secretary of State.
(i) Ecclesiastical Department.

18. Among the Central Services the Secretary of State maintains his control over the Ecclesiastical and Political Departments. The Ecclesiastical Department provides Chaplains of the Churches of England and Scotland for the British Troops and British civil officers.

(ii) Political Department.

The Political Department is divided broadly into two branches. On the one hand, there is the Political branch dealing with the relations between the Paramount Power and the numerous Indian States. On the other hand there is the Foreign branch dealing with India's relations with her foreign neighbours and administering the border areas of the North-West Frontier Province and Baluchistan. The Political Department is the special province of His Excellency the Viceroy himself. It is recruited, in part, from members of the Indian Civil Service, and more largely from officers of the Indian Army. Provincial Civil Service officers are also promoted to it on occasion. Selections for the Department are made by His Excellency the Viceroy.

(iii) Superior Railway Services.
(iv) Superior Telegraph Engineering and Wireless Branches of the Indian Posts and Telegraphs Department.
(v) Officers holding the

19. The Indian Railway Service of Engineers, the Superior Revenue Establishment of State Railways and the Superior Telegraph Engineering and Wireless Branches of the Indian Posts and Telegraphs Department require at present the recruitment of an appreciable number of British officers, and in order to maintain this recruitment it was decided on a consideration of the Lee Commission's Report to continue the control of the Secretary of State over recruitment outside India.

It has been decided further that the Secretary of State should retain power to protect the interest of officers holding the King's Commission employed in the Survey of India and Mint and Assay Departments and

to ensure that the number of such officers so employed should not with-
out due cause be diminished. King's Com-
mission.

20. The Indianisation of the Superior Services has long been a ques- Indianisation
tion in which Indian opinion has taken the keenest interest. The ques-
tion does not arise in the Services from the old Provincial Services down-
wards, which are manned practically exclusively by Indians, or Europeans
or Anglo-Indians with Indian domicile, who for these purposes are treated
as Indians. For many years no recruitment of any but Indians or statu-
tory natives of India has been made to these Services. The problem
of Indianisation therefore may be said to be confined practically to the
All-India Services and the Central Services, Class I. This question
formed one of the principal subjects of enquiry by the Lee Commission.
The Commission made most important recommendations. The effect Leo Commis-
sion's recom-
mendations.
of their proposals with regard to the All-India Services on the transferred
side was practically to stop European recruitment, and Indianisation
in the new Provincial Services will be complete, except in so far as
Indians themselves may wish to recruit Europeans for special reasons.
In the All-India Services, which remain under the control of the Secre-
tary of State, a great increase was made in the number of Indians to
be recruited. In the Indian Civil Service 20 per cent. of the superior
posts are to be reserved for promotion from the Provincial Civil Services,
that is to say, for Indians. In the matter of direct recruitment the
proportion of Indians to Europeans has been fixed at half and half.
The practical effect of this is that when promotion is on a normal footing,
some 24 Europeans only will be recruited annually for the Indian Civil
Service. In the case of the Indian Police Service 20 per cent. of the
superior posts is to be reserved for the Provincial Services. Direct
recruits are taken in the proportion of $\frac{5}{8}$ Europeans to $\frac{3}{8}$ Indians. This
gives a higher proportion of European officers in the Indian Police Service
than in the Indian Civil Service, the Lee Commission being of opinion
that present conditions rendered this necessary. These recruitment
figures were estimated by the Lee Commission to produce in the Indian
Civil Service a 50 : 50 cadre of Europeans and Indians in 15 years from
the date of commencement of the scheme and in the Indian Police Service
in 25 years. For the Indian Service of Engineers in the Irrigation
Branch and in Assam recruitment has been fixed at 40 per cent. Europeans,
40 per cent. directly recruited Indians, and 20 per cent. promo-
tions from the Provincial Engineering Services which gives practically
the same proportions as in the Indian Civil Service. In the Indian Service
of Engineers in Madras where the two branches have not been separated
recruitment is on the basis of 33 per cent. Europeans, 45 per cent. directly
recruited Indians and 22 per cent. promotions from the Madras En-
gineering Service. In the Indian Forest Service on the other hand a
much higher rate of Indianisation has been laid down the ratio of re-
cruitment being 75 per cent. Indians and 25 per cent. Europeans. The
Ecclesiastical Department consists of Europeans. In the Political
Department the present rate of recruitment is approximately 25 per

cent. Indians to 75 per cent. Europeans. In the Superior Telegraph Engineering and Wireless Branches of the Indian Posts and Telegraphs Department recruitment is 25 per cent. Europeans and 75 per cent. Indians. For the Indian Railway Service of Engineers and the Superior Revenue Establishment of State Railways, facilities for training in India are being extended so that recruitment in India may be advanced as soon as practicable up to 75 per cent. of the total number of vacancies in the railway departments as a whole. For the remaining Central Services no rates of Indianisation were laid down. This matter is being left to the decision of the Government of India. But in practice it may be taken that Europeans will only be recruited for special reasons and that Indianisation will be practically complete. In the Audit and Accounts Service, for example, recruitment has since 1920, been made entirely in India.

Effect of Lee
Commission's
recommendations.

21. These changes are of a drastic nature and will, as time goes on, affect the composition of the Services in the most marked way. At present a certain impatience is exhibited in political circles because Indianisation does not show very striking immediate results. It is clear, however, that it must take some time before new recruits rise to positions of importance. In the meantime it is necessary to remember that the full effect of these changes has not yet begun to show itself, for recruitment on the new lines has been in progress for not more than about three years. That the changes will have very far-reaching effects no one can doubt, and the present policy of the Government of India is to observe those effects before taking any further action. A statement¹ is attached showing the recruitment to the main Services since 1924 and the resulting racial composition of the Services. This statement gives some idea of the rate at which Indianisation is proceeding.

Recruitment
from minority
communities.

22. One problem, which has come prominently to the fore in consequence of the extensive policy of Indianisation, is that of the minority communities. Under a system of unrestricted competition experience showed that the Hindu community would practically monopolise the superior services. This was a position against which the minority communities, and in particular the Muhammadan community, protested vigorously, and the justice of that protest has been recognised by the Government of India. Consequently as a general rule provision has been made for withholding from competition approximately one-third of the vacancies, so that if the results of the competition necessitate such action, these places may be filled by nominating fully competent members of minority communities. The system is at present working satisfactorily in the Indian Civil Service and the Indian Police Service, in that there is no lack of qualified candidates of minority communities for appointment by nomination. Another problem which has arisen is that of provincial feeling. As soon as a large number of Indians begin to enter the All-India Services, the question arises whether the Indians allotted to any particular province should, if possible, be residents of

Provincial
feeling.

that province. This is the policy which is generally being pursued in the case of the Indian Civil Service, while in the case of the Indian Police Service candidates are actually restricted to residents of the provinces concerned. There is undoubtedly a definite feeling in the provinces that the members of the All-India Services posted to them should be their own men. There is of course the possibility that certain provinces may tend to monopolise success in the competitive examinations. In particular Madras has a large number of places in the Indian Civil Service. Hitherto there has been no difficulty in absorbing them in provinces other than Madras. But a very pronounced and continuing excess of successful candidates from one or two provinces would undoubtedly lead to protests from other provinces based partly on provincial patriotism, and partly on the undoubted fact that men from one province are not always suited for handling the inhabitants of a widely different province.

23. Another problem which has caused the Government of India and the Secretary of State considerable anxiety is that of distributing recruitment for the Indian Civil Service between England and India. Until comparatively recently entrance to the Indian Civil Service could only be secured through success at the competitive examination in England. When the first substantial steps towards Indianisation of the Indian Civil Service were taken as a result of the Islington Commission's Report it was decided that the additional Indians, who were not at the time likely to be secured through the open competition in London, should be recruited through a special examination for Indians in India. The whole situation, however, was dislocated by the War and its after-effects. For a considerable period the number of British candidates dwindled to very small proportions, and this stimulated the appearance of Indian candidates in London where they were faced with insignificant competition. The result is that, though the British candidature is now re-established, a large number of Indians still continue to compete in England, and when any considerable number of these are successful, a comparatively small number of vacancies remain to be offered for competition in India. The whole problem was placed before the Secretary of State recently by the Government of India, but no solution has yet been reached.

Problems arising from recruitment of Indians for the Indian Civil Service in India and the United Kingdom.

APPENDIX.

Statement showing the progress of Indianisation in the Civil Services during the years 1924, 1925, 1926 and 1927.

Service.	Number of officers recruited in :—						Number of officers in service on :—						Remarks.				
	1924.		1925.		1926.		1927.		1-1-25.		1-1-26.			1-1-27.		1-1-28.	
	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.		Europeans.	Indians.	Europeans.	Indians.
<i>All-India Services.</i>																	
Indian Civil Service .	3*	15*	20*	22*	28*	27*	37*	30*	1,048†	297†	980†	280†	930†	311†	922†	333†	
Indian Police Service.	10	13†	14	17†	14	11†	13	12	93†	93	913	95	584	105	508	118	
Indian Forest Service	2	11	1	6	..	3	2	4	271	84	201	80	257	93	230	93	
Indian service of Engineers.	12	15	8	11	7	13	7	13	400	307	386	207	372	301	304	301	
Indian Medical Service (Civil).	..	..	..	..	..	..	..	..	324‡	55‡	317‡	75‡	288§	86§	298§	87‡
Indian Educational Service—																	
Men's Branch .	3	3	..	1	..	..	..	..	160	120	102	110	140	115	131	104
Women's Branch .	1	..	..	..	..	..	..	..	24	9	24	6	20	7	19	6
Indian Agricultural Service.	..	..	..	..	..	..	..	..	74	30	70	30	90	30	94	30
Indian Veterinary Service.	1	..	..	..	..	..	..	..	35	2	32	2	28	2	27	2

APPENDIX—contd.

Statement showing the progress of Indianisation in the Civil Services during the years 1924, 1925, 1926 and 1927—contd.

Statement showing the progress of

Service.	Number of officers recruited in :—								Number of officers in service on :—								Remarks.
	1924.		1925.		1926.		1927.		1-1-25.		1-1-26.		1-1-27.		1-1-28.		
	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	Europeans.	Indians.	
Central Services— Class I—contd.	..	1	..	18	..	13	..	10	61	98	65	126	144				
Indian Audit and Accounts Service.	1	..	1	..	6	3	4	3	5	12				
Indian Meteorological Service.	1	..	..	..	..	1				
Indian School of Mines.	1	3	2	1	2	3	..	1	44	15	41	15	19				
Military Accounts Department.	..	1	1	1	..	..	1	..	6	2	7	3	3		
Mines Department .	..	3	1	3	..	..	2	10	0	28	0	28	28		
Post Office .	..	1	1	1	..	..	..	1	..	4	1	5	6	
Zoological Survey .	..	1	1	1	..	..	..	1	..	4	1	5	6	

DIVISION OF THE SOURCES OF REVENUE
BETWEEN THE CENTRAL GOVERNMENT
AND THE PROVINCIAL
GOVERNMENTS

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Division of the Sources of Revenue between the Central Government and the Provincial Governments.

(Meston Settlement.)

PRE-REFORM SETTLEMENTS.*

1. For several decades after the passing of the Charter Act of 1833, 1833-70, which vested the direction of the entire civil and military administration and the sole power of legislation in India in the Governor General in Council, the financial administration of India was completely centralised in the hands of the Government of India. Except for local cesses on land revenue, which are similar to the *centimes additionnels* in France, levied by some Provinces for roads, schools and other local services, Provincial Governments were entirely dependent on annual assignments from the Central Government for the maintenance of the administration. The Central Government had also complete control over the growth of Provincial expenditure, for their sanction was required for all proposals, however trivial the expenditure involved. It was not long before the defects and dangers of this highly centralised system became manifest. The local Governments, deeply interested in schemes for the welfare of the people entrusted to their care and ignorant of the requirements of other Provinces, or of India as a whole, were inclined, in their zeal for administrative progress, to press on the Central Government schemes, which in themselves deserved encouragement but which nevertheless had to be rejected on account of more urgent demands from other Provinces or on account of fiscal considerations. They were thus brought into frequent conflict with the Central Government, who were not in a position fully to understand local requirements and had not the requisite knowledge for a successful development of local resources. In these circumstances, the distribution of the public income, as Sir Richard Strachey has described in an oft-quoted passage, "degenerated into something like a scramble, in which the most violent had the advantage, with very little attention to reason; as local economy brought no local advantage, the stimulus to avoid waste was reduced to a minimum, and as no local growth of the income led to local means of improvement, the interest in developing the public revenues was also brought down to the lowest level."†

2. To the Government of Lord Mayo, belongs the credit for initiating the first important measure of financial decentralization in India. In 1870-71 the Government of India made over to the Provincial Governments the administration of Jails, Registration, Police, Education, Medical Services, Roads and Buildings and Printing. To meet the cost of the administration of these provincialized services, there were assigned

Lord Mayo's scheme of decentralization, 1870-71.

* The account of the Pre-reform Settlements is based on—

- (1) The Report of the Royal Commission on Decentralisation,
- (2) Financial Statements, 1870-78,
- (3) Financial Statements, 1882-83, and
- (4) Financial Statements, 1903-1911,
- (5) Report on Indian Constitutional Reforms."

† Sir John Strachey's India, 4th Edition. page 121.

to the Provincial Governments the departmental receipts under the corresponding heads and also a fixed lump grant from Central revenues. Any additional expenditure on these services was to be met from savings on existing charges and by the imposition, where necessary, of local taxes. Provincial Governments were also given power to allot the revenues assigned to them at their discretion subject to certain financial rules and the Government of India ceased to scrutinise the Provincial estimates in detail.

Lord
Lytton's
scheme of
decentraliza-
tion, 1877.

3. This limited measure of decentralization was a success, both administratively and economically. The expenditure on the provincialised services, which had amounted to £6·3* millions in 1868-69, was reduced to £5·3 millions in 1877-78. The scheme, however, suffered from the defect that the services in which the provinces were given a financial interest were relatively unimportant from the revenue aspect and Provincial Governments had no inducement to develop the revenue that they were raising from other sources. Important modifications were introduced in these Provincial settlements by the Government of Lord Lytton in 1877. Provincial responsibility in regard to expenditure was extended to certain other heads including land revenue, general administration, law and justice, while certain important heads of revenue, including stamps, excise and the license (now income) tax, were provincialised. Any increase over the revenues as they stood at the time of the settlements was to be shared with the Government of India, who were also to bear a share of any decrease. It was not, however, possible entirely to dispense with the fixed grants, except in the case of Burma and Assam, who were given a share of the land revenue in lieu of the fixed assignments.

With the extension of the financial functions of the Provincial Governments, however, scrutiny of Provincial receipts and expenditure became more detailed and the liberty of Provincial Governments to meet a deficit in current year's revenues by expenditure from Provincial balances was also curtailed.

Quinquennial
settlements
of 1882-1904. 4. In 1882 fresh settlements were made with the major Provinces under which the allocation of revenue was briefly as follows :—

Central.	Divided equally between Imperial and Provincial.	Provincial.
Customs	Forest	Provincial rates.
Salt	Excise	Law and justice.
Opium	License tax	Public Works.
Posts and Telegraphs	Stamps	Education.
† Railways	Registration . . . . .	....
† Irrigation . . . . .	....	....

* Speech by Lord George Hamilton on Indian Financial Statements in the House of Commons, 21st June 1877.

† These heads were not entirely Central.

The distribution of expenditure followed the incidence of revenue. Excess of Provincial expenditure over revenues was made up by assignments from the Central Government expressed as a percentage of the land revenue of each Province, which was otherwise a Central receipt.

In the subsequent quinquennial revisions, land revenue became definitely a divided head, while railways became almost entirely Central. An important feature of these revisions was the resumption of the Provincial surpluses at the end of the five-year period. In 1887 and 1892 the Central Government resumed Rs. 64 * lakhs and Rs. 46 lakhs respectively.

5. The system of quinquennial settlements was marked by several grave defects—

Defects of the quinquennial settlements.

- (1) In the first place, the periodical revisions interfered with the continuity of Provincial finance and each revision involved a protracted and sometimes controversial discussion with the Provincial Governments.
- (2) In the second place, the system tended to encourage extravagance rather than economy. The policy of periodical resumption of Provincial surpluses (which was largely necessitated by severe financial pressure on the Government of India during the years of low exchange) destroyed any incentive in a Provincial Government to economise, since it knew that its reduced standard of expenditure would be the basis for a correspondingly unfavourable settlement at the next revision. The tendency was, therefore, to spend money not on carefully considered schemes of development but on such as could be carried through before the close of the settlement in order to leave as small a balance as possible for resumption at the impending revision.†
- (3) In the third place, the specific arrangements for the sharing of revenue and the allocation of expenditure varied from time to time in the different Provinces and there was no definite or logical principle underlying the apportionment.

6. The quasi-permanent settlements of 1901 were intended partly to remove these defects and partly, as their name indicates, to introduce an element of permanence into the settlements. The general principles underlying these settlements were explained by Lord (then Mr.) Meston in his evidence before the Decentralization Commission of 1909. They are briefly as follows :—

The quasi-permanent settlements, 1904-11.

- (a) The Government of India retained certain administrative services which it was inexpedient to hand over to Provincial Governments and they reserved the revenues from those services and such a share of the other public revenues as was adequate to the expenditure falling upon them.

* Financial Statements, 1904-1905.

† Lord Meston's evidence before the Decentralisation Commission.

- (b) The remaining administrative services of the country were entrusted to Provincial Governments, each of which received an assured income that was independent of the needs of the Government of India and sufficient for its normal expenditure.
- (c) This income was given in the form of a definite share of the revenue which the Provincial Government collected in order that the Provincial Governments' resources might expand along with the needs of its administration.
- (d) As far as possible, the same share of the chief sources of revenue was given to each Province to ensure a reasonable equality of treatment.

The revenues assigned to the Provinces under these settlements were definitely fixed and were not subject to alteration by the Government of India save in the case of a grave Imperial necessity or in the event of experience proving the assignments made to have been materially disproportionate to normal Provincial requirements. The division of the sources of revenue was roughly as follows :—

Central.	Heads generally divided equally.	Provincial.
Opium	Land revenue . . .	Registration.
Salt	Excise	Police.
Customs	Stamps	Education.
Mint	Income-tax	Law and Justice.
Railways	Forests	Medical.
Posts and Telegraphs	Major Irrigation . . .	Minor Irrigation.
Tributes . . . . .	.....	Provincial Civil Works.

The difference between expenditure and income was made up by a fixed assignment under the land revenue head, but the Government of India aimed at making these assignments as small as possible, so as to enable each Province to derive the bulk of its resources from growing revenues.

Recommendations of the Decentralization Commission.

7. The problem of Provincial settlements was examined at some length by the Royal Commission on Decentralization in 1909, but no changes of a fundamental character were recommended. The Commission considered the possibility of a more definite separation between Imperial and Provincial finances by means of an arrangement under which the heads of revenue and expenditure which were divided would become wholly Provincial and the Government of India would receive contributions from each Province on the analogy of the *matrikular*

beitrage of the German Empire. Three alternative methods by which such contributions might be made were considered—

(a) A fixed sum revisable every few years.

This was rejected as impracticable by the Commission on the ground that periodical revisions of the fixed assignments would provoke recurring controversies with the Provinces of the same character as those which it had been the object of the quasi-permanent settlements to avoid.

(b) A lump percentage on the Provincial revenues.

This was rejected on the ground that the percentage as between the various Provinces could not obviously be uniform, since the richer and more advanced would necessarily have to contribute a larger proportion of their revenues to the Central Government. Such percentages would, therefore, have to be arrived at by an examination of the resources of each Province under each head and the system would not differ from the detailed Provincial settlements then in force.

(c) A fluctuating contribution imposed by the Government of India and calculated upon the population or the revenues of the different Provinces.

The Commission considered that a subsidy based on population or wealth or revenues would be unfair to the relatively poor and undeveloped Provinces while there was no method of assessing the comparative wealth of the various Provinces. A fluctuating contribution based on Provincial revenues would introduce an element of uncertainty into the Provincial finances and the position of these would be rendered worse.

The Commission approved of the system of divided heads, since under such an arrangement the Government of India would be more interested in and identified with Provincial Governments. They could also exercise control in matters of general policy with less friction, if they were also concerned pecuniarily. They advocated, however, the conversion of unduly large fixed assignments into shares of growing revenue even at the sacrifice of uniformity as regards the shares of divided heads as between the Provinces.

8. When the quasi-permanent settlements were concluded with the various Provinces between the years 1904-1907, it was hoped that an element of stability in the relations between the Central Government and the Provincial Governments would be introduced, but almost before the work was finished a complete revision was found necessary in the case of the United Provinces and substantial re-adjustments were made in the settlement with Madras. Large subsidies had to be made to several Provinces, in some cases as a result of abnormally heavy famine expenditure and in others with no such justification. Burma suffered

Permanent settlements of 1911.

considerable inconvenience under its new settlement, while Bengal became almost bankrupt within a few years. The Government of India were not always in a position to enforce the obligations of the Provinces under the settlements, because the difficulties of some of the Provincial Governments were due to real defects in the settlements.

9. When the question of making permanent settlements with the Provinces was considered in 1910-11, the Government of India made a very careful enquiry into the financial effects of the quasi-permanent settlements in order to satisfy themselves that they were suitable for confirmation in perpetuity. Since these permanent settlements were in force when the Reforms were introduced, it is important to know the precise procedure adopted by the Government of India in framing them. The method by which the adequacy of the settlements was tested is described below :—

The figures under each major head for the previous twelve years were carefully examined with special attention to the period which had elapsed since the conclusion of the last settlement. The figures of revenue and expenditure in the budget for 1910-11 were then scrutinised in detail, and abnormal items as far as possible eliminated. On this basis new standards of revenue and expenditure were assumed, and from them a hypothetical equating figure was deduced. The figure thus obtained was compared with the actual fixed assignment in the current year's budget. If the difference was not more than one per cent. on the Provincial revenue, the calculations were taken as evidence that the settlement was adequate. If the difference was greater and the hypothetical equating figure was decidedly larger than the actual assignments, it was then assumed that the settlement was defective. These conclusions were checked with an entirely independent estimate of the working of each settlement which had previously been obtained from the Accountant-General of the province concerned. In the course of this examination, the normal rate of annual growth under each major head was calculated with reference to the actual figures of a selected normal year in the past and the corrected figures of the current budget. The aggregate rate of growth on each side of the account was then struck. If the yearly increment of expenditure was greater than the increment of revenue, and there was no evidence of serious improvidence, a case was considered to be established for commuting the fixed assignments for a further share in growing revenue, to such extent as was necessary to secure an approximate equality between the two rates of growth.

10. The following statement shows the provincial shares of the principal heads of revenue and the corresponding expenditure under the permanent settlement :—

R = Revenue.
E = Expenditure.

Province.	Land Revenue.		Stamps.		Excise.		Assessed Taxes.		Forests.		Registration.	
	R.	E.	R.	E.	R.	E.	R.	E.	R.	E.	R.	E.
Madras . .	One-half . . .	Whole	One-half	One-half	One-half	One-half	One-half	One-half	Whole	Whole	Whole	Whole.
Bombay . .	Whole or assessment of alienated lands less quit-rents and half of the other minor heads.	Whole	One-half	One-half	Whole	Whole	One-half*	One-half	Whole	Whole	Whole	Whole.
Bengal . .	Whole of collections from Government estates and one-half of all other sub-heads.	Whole*	One-half	One-half	Three-fourths	Three-fourths	One-half	One-half	Whole	Whole	Whole	Whole.
Eastern Bengal and Assam.	One-half . . .	Whole*	One-half	One-half	Whole	Whole	One-half	One-half	Whole	Whole	Whole	Whole.
United Provinces	Three-eighths*	Whole	One-half	One-half	Three-fourths	Three-fourths	One-half	One-half	Whole	Whole	Whole	Whole.
Punjab . .	One-half . . .	Whole	One-half	One-half	One-half	One-half	One-half	One-half	Whole	Whole	Whole	Whole.
Burma . .	Five-eighths . . .	Whole	One-half	One-half	One-half	One-half	One-half	One-half	Whole	Whole	Whole	Whole.
Central Provinces	One-half . . .	Whole	One-half	One-half	Three-fourths	Three-fourths	One-half	One-half	Whole	Whole	Whole	Whole.

* With certain minor exceptions.

Tendencies
in the
development
of fiscal
relations.

11. The history of the earlier settlements has been given in some detail, because it is not generally realised that some of the suggestions that have been made during recent years for the modification of the Meston Settlement had been carefully examined and rejected by the Government of India or by expert bodies such as the Royal Commission on Decentralization. It may be useful at this stage to summarise the salient features of the last of the pre-Reform settlements and the tendencies in the development of the fiscal relations between the Government of India and the Provincial Governments—

- (1) The settlements were based primarily on the estimated needs of individual Provinces and not on Provincial revenues. The point is rather important, since, in determining the initial Provincial contributions, the Meston Committee took into consideration only the increased spending power that was expected to result from their scheme of redistribution and practically ignored the requirements of the Provinces.
- (2) The income from the divided heads of revenue was still supplemented by special contributions, both recurring and non-recurring, out of the Central Government's surplus revenues. In fact, the special contributions were larger than in the period when the quasi-permanent settlements were in force.
- (3) Though the intervention of the Government of India in the preparation of Provincial budgets was considerably curtailed, there was no relaxation of the control over taxation. Control over Provincial expenditure also continued and, in fact, was inevitable under a system of financial settlements based on Provincial requirements.
- (4) Although the Government of India laid down the principle (endorsed by the Decentralization Commission) that the same share of the chief sources of revenue should be given to each Province to ensure a reasonable equality of treatment, there was no uniformity as regards the percentage of each head of revenue allotted to the Provinces. For instance, while Madras, the Punjab and Burma got only one-half of the excise revenue, Bengal, the United Provinces and the Central Provinces got three-fourths and the other Provinces the whole. The point is important, for, as the following statement shows, the growth of revenue between the years 1912-13 to 1920-21 in the different Provinces was very unequal :—

*Percentage of growth between 1912-13 and 1920-21 under the principal heads of revenue.**

Province.	Excise.	General Stamps.	Land Revenue and other Provincial heads.	All Provincial heads.
Madras	70.24	63.22	11.66	29.06
Bombay	102.57	119.13	32.00	52.43
Bengal	35.91	69.49	13.52	22.30
United Provinces . . .	43.70	45.75	17.13	20.82
Punjab	106.78	73.73	26.86	34.88
Burma	36.15	26.62	33.52	33.65
Bihar and Orissa . . .	21.20	55.29	4.53	11.20
Central Provinces . . .	19.00	48.25	26.30	33.18
Assam	11.26	22.22	20.60	28.00
All the 9 provinces . . .	62.27	69.24	20.98	30.18

* (See paragraph 7 of the Report of the Financial Relations Committee).

12. The next phase of development in the financial system of India comes with the introduction of the Montagu-Chelmsford Reforms of 1919 and it now becomes necessary to link financial history more closely with certain salient features of the constitutional problems which then arose and still continue. The nature of the problems, constitutional as well as financial, which His Majesty's Government had to deal with in 1917, and the views of the authors of the Report on Indian Constitutional Reforms, as to the changes which they sought to bring about in pursuance of the policy enunciated by His Majesty's Government are summed up in paragraph 120 of the Report which is here quoted—

Montagu-Chelmsford Reforms.

“ We have dealt at some length with the strong tie which binds the provinces to the central government. It seemed to us necessary to analyse it, because it constitutes the chief obstacle across our path, and also affords a plain warning to those who are disposed to be misled by facile analogies from federal constitutions. Granted the announcement of August 20, we cannot at the present time envisage its complete fulfilment in any form other than that of a congeries of self-governing Indian provinces associated for certain purposes under a responsible Government of India ; with possibly what are now the Native States of India finally embodied in the same whole, in some relation which we will not now attempt to define. For such an

organization the English language has no word but 'federal'. But we are bound to point out that whatever may be the case with the Native States of the future, into the relation of provincial and central governments the truly federal element does not and cannot enter. There is no element of pact. The government of the country is at present one; and from this point of view the local Governments are literally the 'agents' of the Government of India. Great powers have been delegated to them, because no single administration could support the Atlantean load. But the process before us now is not one of federalising. Setting aside the obstacles presented by the supremacy of Parliament, the last chance of making a federation of British India was in 1774, when Bombay and Madras had rights to surrender. The provinces have now no innate powers of their own, and therefore have nothing to surrender in a *foedus*. Our task is not like that of the Fathers of the Union in the United States and Canada. We have to demolish the existing structure, at least in part, before we can build the new. Our business is one of devolution, of drawing lines of demarcation, of cutting long standing ties. The Government of India must give and the provinces must receive: for only so can the growing organism of self-government draw air into its lungs and live. It requires no great effort of the imagination to draw a future map of India which shall present the external semblance of a great new confederation within the Empire. But we must sedulously beware the ready application of federal arguments or federal examples to a task which is the very reverse of that which confronted Alexander Hamilton and Sir John Macdonald."

13. While it is necessary, as has been suggested in the passage quoted above, to beware of facile analogies from federal systems, nevertheless it may be pointed out that there are certain general principles underlying the fiscal systems of all civilised countries which are of universal application and also that the problem of the financial relations between a federal authority and its component states can usefully be compared with the problem of the financial relations between the Central Government and Provincial Governments in India. The former problem is one which has arisen frequently during the last century, and in the history of the United States, Switzerland, Germany, Canada, Australia and South Africa, there are a number of practical examples of the way in which it has been approached. Before the important changes in the financial machinery of India introduced with the Reforms are described, it may therefore be useful to examine the principles on which the fiscal systems of these federations are based.

14. An account in some detail of the fiscal relations between the federal government and the component states in the six countries referred to in the last paragraph is given in Appendix I. It will be observed

that there is very little similarity between the systems that have been evolved in the different federations, and that the distribution of resources between the federal government and the component states is not based upon theoretical principles. This is not surprising, for, as has been observed by the Taxation Committee, the systems adopted by different countries have been "moulded by widely differing influences emanating from the past history of the particular states, the psychology of their people, the religious differences prevailing among them and their trade and foreign relations with other states". The salient features of these systems, which may be of interest in the consideration of the Indian problem, are briefly summarised below :—

- (1) It will be observed that it is almost the invariable rule that customs duties, including export duties, and excise duties are exclusively in the hands of the central Government and this is true even of those federations where the federal authority is weakest. This arrangement involves freedom of inter-State trade and its control by the central authority and in all cases the desire to secure such freedom of inter-State trade has been one of the principal motives for federation. The principle has been held to necessitate a degree of interference by the Central Government, which has yet to be realised in India. Thus in the United States, it has been held to involve central control of navigable waters in States which are accessible from other States, to rule out taxation by local authorities of imported articles while in their original packages and to bar State taxation on gross receipts of railways and steamship companies operating beyond the State and on passengers landing from steamships.
- (2) In most of the federations no attempt has been made completely to separate the sources of revenue of the federal Government and the constituent States, nor is such a separation considered essential in order to ensure the fiscal autonomy of the States.
- (3) Income-tax was generally regarded as a source of State revenue, but the recent experience of some of the federations has shown that in practice the raising of considerable sums through an income-tax can only be done on a national scale. In the United States of America, Australia and Canada, the federal Governments abandoned their previous reliance on indirect taxation and imposed direct taxes as soon as an emergency arose. In most of the federations, income-taxes are now levied both by the federal Government and by the constituent States. In Germany and Switzerland, income-taxes are administered by the Provinces but the control is federal.
- (4) Subsidies from the Central Government to the constituent States or Provinces are a normal feature of many of the federal constitutions.

MESTON SETTLEMENT.

15. This history of the Provincial settlements will now be resumed. The permanent settlements of 1911 continued to be in force until the introduction of the Reforms, and to understand the nature of the new settlements, it is necessary briefly to refer to the constitutional changes, which necessitated a radical change in the system of finance.

Principles
underlying
the consti-
tutional
changes.

16. The ideal to which, in the view of the authors of the Report on Indian Constitutional Reforms, the political development of India will probably tend in the future has already been described. The fundamental principle on which their proposals are based is that the Provinces should be given "the largest measure of independence, legislative, administrative and financial of the Government of India which is compatible with the due discharge by the latter of its own responsibility". As has been observed, the pre-Reform settlements were based not on Provincial revenues but on Provincial needs and the Government of India were responsible for Provincial solvency. This inevitably led to central control over Provincial expenditure, and since the Government of India took a percentage of the proceeds of certain taxes, they had a direct motive for interfering in the details of administration. The Government of India had also complete control over all taxation imposed in British India, apart from the local taxes raised by local authorities. The authors of the Report held that a system which had worked successfully between two official governments would be quite impossible between a popular and an official government. Their first aim was, therefore, to find some means of entirely separating the resources of the Central and the Provincial Governments. If responsible Government in the provinces was to mean anything real, clearly the Provinces must not be dependent on the Central Government for the means of provincial development, and their idea was that an estimate should first be made of the scale of expenditure required for the upkeep and development of the services which clearly appertain to the Central sphere, that resources with which to meet this expenditure should be secured to the Central Government and that all other revenues should then be handed over to the Provincial Governments which would thenceforth be held wholly responsible for the development of all Provincial services. They thus started with the axiom that a complete separation of the sources of revenue is necessary. It may be pointed out, however, that Provincial Governments also pressed very strongly for complete separation owing to the trouble which they had had in connection with the system of divided heads. The constitutional changes contemplated* by the authors of the Report involved on the financial side the grant of all residuary powers to the Provinces. The system which was actually embodied in the Government of India Act and its Rules did not however go so far as this.

* Paragraph 201 of the Montagu-Cholmsford Report; but the Report itself is not consistent on this point, *vide* paragraph 210.

17. The detailed arrangements for the division of the heads of revenue and the arguments by which they were supported by the authors of the Report are summarised below :—

Division of Sources suggested in the Report.

- (1) Stamps were to be Central, since it was obviously desirable to avoid discrepancies of rates in the case of commercial stamps, while court-fee stamps were to be a Provincial source of revenue and were regarded as an additional means by which the Provinces could augment their resources.
- (2) Excise was made Provincial, since it was already a Provincial head in Bombay, Bengal and Assam and there was no valid reason why it should not be made Provincial throughout India.
- (3) Land revenue and irrigation were both assigned to the Provinces, chiefly because their assessment and collection were very intimately concerned with the whole administration in rural areas. This involved the transfer to Provincial Governments of the entire liability for expenditure on famine relief and protective irrigation works.
- (4) As regards the income-tax, the authors saw two very strong reasons for making it Central. The first was the necessity for maintaining a uniform rate throughout the country because of the inconvenience, particularly to commerce, of having different rates in different Provinces. In the second place, in the case of ramifying enterprises with their business centre in some big city, the Province in which the tax is paid is not necessarily the Province in which the income was earned. The authors clearly recognised that provincialisation of land revenue and centralisation of income-tax would mean the grant of an initial advantage to Provinces whose wealth was predominantly agricultural over those which had large commercial and industrial interests. They would not, however, allow this consideration to stand in the way of a complete separation of resources, for they held that absolute equality of treatment as between the Provinces is not a *sine qua non* and that the aim could only be to reach equality so far as this is possible in the settlement as a whole.

18. In order to meet the resultant deficit in the Central budget, they proposed, as a transitional measure, a system of contributions from each Province to the Central Government assessed on the normal surplus of the Provinces, *i.e.*, the difference between the estimated gross revenue under the new scheme and the estimated normal expenditure. The deficit of the Central Government was estimated at Rs. 13,63 lakhs and

System of contributions.

the Provincial contributions were calculated as shown in the following statement :—

(In lakhs of rupees).

Province.	Gross Provincial revenue.	Gross Provincial expenditure.	Gross Provincial surplus.	Contribution (87% of column 4).	Net Provincial surplus.
1	2	3	4	5	6
Madras	13,31	8,40	4,91	4,28	63
Bombay	10,01	9,00	1,01	88	13
Bengal	7,54	6,75	79	69	10
United Provinces . .	11,22	7,47	3,75	3,27	48
Punjab	8,64	6,14	2,50	2,18	32
Burma	7,69	6,08	1,61	1,40	21
Bihar and Orissa . .	4,04	3,59	45	39	6
Central Provinces . .	4,12	3,71	41	36	5
Assam	1,71	1,50	21	18	3
TOTAL .	68,28	52,64	15,64	13,63	2,01

19. These proposals led to very strong protests from the Governments of the United Provinces and Madras and they were examined at great length by the Government of India, whose views are stated in paragraphs 56—61 of the First Despatch on Indian Constitutional Reforms. The Government of India were prepared to accept these proposals in general, but in view of the strength of the feeling that had been aroused, they strongly recommended that the whole question should be enquired into by a special committee on financial relations. This recommendation was endorsed by the Joint Select Committee of Parliament.

Meston
Committee's
recommendations.

20. The report of this committee, commonly known as the Meston Committee is the basis of the present Provincial settlements. The Committee were specifically directed to advise on—

- (i) the contributions to be made by the various Provinces to the Central Government for the financial year 1921-22,
- (ii) the modifications to be made in the Provincial contributions thereafter with a view to their equitable distribution until there ceases to be an All-India deficit, and
- (iii) the question whether the Government of Bombay should retain any share of the revenue derived from income-tax.

The recommendations of the Meston Committee are summarised below :—

- (a) In order to avoid the system of doles and to facilitate the initial distribution of the Central deficit, the Committee recommended that general stamps should be made a Provincial head throughout India instead of Central as proposed in the Report on Indian Constitutional Reforms.
- (b) On the question of the division of income-tax, which was specifically referred to them at the instance of the Government of Bombay, they recommended that the whole of the income-tax proceeds should be credited to the Central Government, though they doubted whether it would be possible permanently to exclude local Governments from some form of direct taxation upon the industrial and commercial earnings of their people.
- (c) On the question of initial contributions to the Central Government, they suggested a distribution on a principle somewhat different from that underlying the scheme proposed in the Montagu-Chelmsford Report. They pointed out that the latter scheme stereotyped existing disparities of contribution and that the figures suggested by the authors of the Report were based on the figures of normal surpluses, *i.e.*, the excess of normal revenue over normal expenditure. While there was general agreement as regards the figures of normal revenue, the estimates of normal expenditure in each Province were very strongly contested. Any such scheme based on actual figures would penalise those Provinces which had economised during the War. Moreover, it was exceedingly difficult to say to what extent expenditure held over during the War but clearly impending ought to be included in the calculations. It was also necessary to make allowance for the special conditions of undeveloped Provinces like Burma or recently established Provinces like Bihar and Orissa. In short, the basis adopted by the authors of the Report was artificial and temporary.

The Committee therefore proposed to assess the initial contributions on the increased spending power of the Provinces, *i.e.*, the additional resources which a Province would acquire on the separation of the sources of revenue. This proposal was less open to attack, since there was general agreement as regards the figures of normal revenue. The Committee also suggested an elaborate formula under which the contributions by the Provinces would be reduced over a term of seven years to figures which were based on an estimate of the taxable capacity of the Provinces. It is important to observe that in fixing initial contributions, Burma, Bihar and Orissa, the Central Provinces and Assam were given exceptional treatment. The recommendations of the Committee are set out in the following statement.

(In lakhs of rupees).

Province.	Increased spending power under new distribu- tion of revenues.	Contribu- tions as recom- mended by the Committee.	Increased spending power left after contribu- tions are paid.
Madras	5,76	3,48	2,28
Bombay	93	56	37
Bengal	1,04	63	41
United Provinces	3,97	2,40	1,57
Punjab	2,89	1,75	1,14
Burma	2,46	64	1,82
Bihar and Orissa	51	Nil	51
Central Provinces	52	22	30
Assam	42	15	27
TOTAL .	18,50	9,83	8,67

Report of the
Joint Select
Committee.

21. The Meston Committee's Report was examined by the Joint Select Committee of Parliament on draft rules made under the Government of India Act. They saw no reason to differ from the fundamental features of the proposals and were definitely opposed to the provincialisation of income-tax. Nevertheless, they stated that on grounds of policy an attempt should be made to alleviate the disappointment caused by the restraints which the system of contributions lays on the employment by the Provinces of their revenues. They accepted the suggestion proceeding from the India Council "that there should be granted to all Provinces some share in the growth of revenues from taxation on income so far as that growth is attributable to an increase in the amount of income assessed." They, however, rejected the proposal of the Meston Committee as regards the standard contributions and recommended that the contributions should be entirely abolished as soon as the financial position of the Government of India permitted them to do so. The manner in which the share of the income-tax was to be assessed was indicated in Devolution Rule 15, which, as finally amended, runs as follows :—

"Whenever the assessed income of any year subsequent to the year 1920-21 exceeds in any Governor's Province or in the Province of Burma the assessed income of the year 1920-21, there should be allotted to the

local Government of that Province an amount calculated at the rate of three pies in each rupee of the amount of such excess."

Present distribution of the sources of revenue.

22. The actual distribution of the sources of revenue which is at present in force under the Government of India Act may now be specified. This distribution is regulated by the Devolution Rules—

- (1) Rule 3 provides that, for the purpose of distinguishing the functions of the local Government from the functions of the Governor General in Council, subjects shall be classified in relation to the functions of the Government as Central and Provincial subjects in accordance with the lists set out in Schedule I.

Provincial sources of revenue.

- (2) Rule 14 specifies the sources of Provincial revenue. The items which are of importance here are—

(a) Receipts accruing in respect of Provincial subjects which include irrigation, land revenue, forests, excise, alcoholic liquor and intoxicating drugs, non-judicial and judicial stamps, registration and minerals, (Provincial subjects include also sources of Provincial revenue from taxes which were imposed by or under Provincial legislation which had received the previous sanction of the Governor General—item 48, List of Provincial subjects).

(b) A share (to be determined in the manner provided for by Devolution Rule 15 (1) quoted in the last paragraph) in the growth of revenue derived from income-tax collected in the Province so far as that growth is attributable to an increase in the amount of income assessed.

(c) The proceeds of any taxes which may be lawfully imposed for Provincial purposes. These include the following taxes specified in Schedule I to the Scheduled Taxes Rules :—

1. A tax on land put to uses other than agricultural.
2. A tax on succession or on acquisition by survivorship in a joint family.
3. A tax on any form of betting or gambling permitted by law.
4. A tax on advertisements.
5. A tax on amusements.
6. A tax on any specified luxury.

7. A registration fee.
 8. A stamp-duty other than duties of which the amount is fixed by Indian legislation.
- (d) Any other sources which the Governor General in Council may by order declare to be sources of Provincial revenue.

Central Sources of Revenue.

- (3) The sources of revenue allotted to the Government of India are not specified, but the subjects classified as Central include the following :—

Customs, income-tax, salt, Posts and Telegraphs, Railways, control of cultivation and manufacture of opium and sale of opium for export.

The list of Central subjects also contains a clause reserving to the Central Government all other matters not included among Provincial subjects under Part II.

DEVELOPMENTS SINCE THE REFORMS.

Criticism of
the new
Settlements.

23. From the outset the new settlements were subjected to very severe criticism by the provincial governments, in particular by Madras, Bombay and Bengal. It had been hoped that the resources of the provinces, increased as a result of the new financial settlement, would enable them to find money for large schemes of economic and social development, but unfortunately so far from being available for the development of nation-building services, the surpluses had had to be devoted to increases of salary which had become necessary on account of the enormous rise in prices from which India, in common with other countries of the world, had for some years after the War been suffering. The situation was aggravated by the campaign for the introduction of prohibition, which exercised a baneful effect on the excise revenue. The Madras Government protested very strongly against the grave injustice done to it by the demand of an annual contribution of 348 lakhs for Central purposes and stated that unless the financial embarrassments resulting from this huge contribution were removed, there would be no development of the services entrusted to the Ministers. Bombay and Bengal demanded a complete revision of the whole settlement, without which it was urged a satisfactory working of the Act of 1919 was impossible. The case of Bengal had been recommended to the special consideration of the Government of India by the Joint Select Committee on the Government of India Act. The Government of India, after a detailed and critical examination of the financial position of Bengal, came to the conclusion that with every economy Bengal must have a deficit of not less than Rs. 120 lakhs, even if it provided only the bare minimum expenditure required to carry on the administration of the province and no allowance was made for any extra expenditure on

improvements in transferred subjects which were urgently desired by the Ministers. In 1921, on the recommendation of the Finance Member, the Legislative Assembly agreed to the remission of the Bengal contribution for a period of three years from 1922-23. This concession intensified the protest from other provinces against the contributions. Any further remission of these contributions, however, was for the time being out of the question owing to the financial difficulties of the Central Government. On the other hand, the fact that the estimated revenues and expenditure of all the local governments, except Bengal and Burma,* for the year 1922-23 revealed a deficit could not be ignored, and with the consent of the Government of India the Conference of Finance Members held in Simla in April 1922 reviewed the whole position. Various proposals for dealing with the problem were discussed, among which may be mentioned a suggestion by the Bombay representatives that a reversion to the system of divided heads might be considered. A complete separation of the sources of revenue was, however, regarded by all other provincial representatives as the basis of the whole scheme of Reforms and the Government of India, with the concurrence of the Secretary of State, decided to uphold the new financial settlement, but repeated the undertaking given earlier that the existing financial contributions would be abolished as early as possible.†

24. The problem was also considered by the Reforms Enquiry Committee in 1924, but in the absence of any definite information upon which recommendations for a revision of the settlement could be based, this committee merely recommended that the settlement should be revised as soon as a favourable opportunity occurred. Reforms Enquiry Committee Report.

25. The question was also examined at great length by the Taxation Enquiry Committee, whose conclusions are briefly summarised below :— Taxation Enquiry Committee Report.

- (a) Non-judicial stamps and the excise duty on country-made foreign liquor should be transferred to the Central Government.
- (b) The revenue from the excise on opium should similarly be Central.
- (c) The export duties might possibly be used as a balancing factor but should be employed only in the last resort.
- (d) The Provinces should be given the proceeds of a basic rate on personal income graduated proportionately to the general rate, to which should be added a small proportion of the receipts from the super-tax on companies.

It was not one of the functions of the Committee to suggest a detailed settlement between the Government of India and the Provinces and they, therefore, left the application of the principles suggested by them to some other body. These proposals will be discussed at some length

* Excluding expenditure from rice profits.

† See "India in 1922-23, page 105."

in a subsequent portion of this Memorandum, but to complete the narrative a brief account of the action taken by the Government of India on these recommendations may be given here.

Subsequent discussions.

26. Owing to administrative and other difficulties which the change would involve, the Government of India rejected the recommendation to centralise the excise on opium and the excise duty on country-made foreign liquor. They were prepared to agree to the centralisation of non-judicial stamps, but, owing to the strong objections of the provincial governments to the proposal, it was ultimately suggested that only commercial and quasi-commercial stamps should be centralised. This proposal has been accepted by the provincial governments on the condition that adequate compensation is given to them in some other form. As regards the division of income-tax, the Government of India suggested that the provinces should be given a share of the income-tax calculated at the rate of 3 pies in the rupee on personal incomes from all sources of assesses resident within each province. These proposals were discussed with the Financial representatives of the provinces at the Conferences held in November 1926 and 1927, but no agreement was arrived at and it was ultimately decided that the revision of the Meston Settlement should await the deliberations of the Statutory Commission.*

Final extinction of contributions.

27. In the meantime the financial position of the Government of India after 1923 improved sufficiently to enable the provincial contributions to be gradually reduced and they have been finally wiped out in the current year.

THE MESTON SETTLEMENT IN OPERATION.

28. The present distribution of resources may be considered from two points of view :—

- (1) That of the Government of India, and
- (2) that of the Provincial Governments.

Meston Settlement from the point of view of the Central Government.

It will be observed that under the present scheme of distribution, the Central Government holds in its hands, in the shape of the income-tax, the only real instrument of progressive taxation at present used in India. It also imposes all the principal consumption taxes except those on liquor and drugs. It therefore has power to reach with its taxation practically all classes of the population and to tax them in accordance with their ability to pay. The only important section which escapes is that composed of the richer agriculturists who have been exempt from the income-tax since 1872. It might be inferred from this that the revenues of the Central Government under the present allocation are sufficiently elastic and adequate, at any rate so far as its normal requirements are concerned. But, as will be observed from the brief outline of its financial history given below, the Central Government was not

* A copy of the correspondence with Provincial Governments on the division of income-tax and general stamps and extracts from the proceedings of the conferences on these proposals is given in Appendix II.

free from grave financial embarrassments for several years after the introduction of the Reforms. Indeed it has been argued that the present division of resources has left the Government of India with revenues of an embarrassingly fluctuating nature, and in support of this view it has been pointed out that at a time of trade depression it was necessary to hamper trade by heavy increases in customs duties.

29. For three years before 1921-22, when the first budget under the reformed constitution was presented to the Legislative Assembly, the accounts of the Government of India had revealed deficits amounting in all to Rs. 55 crores. The budget of 1921-22 also anticipated a deficit of Rs. 18 crores and additional taxation, which was mostly under customs duties, had to be imposed. This included an increase of the general *ad valorem* duties from $7\frac{1}{2}$ per cent. to 11 per cent., and a special duty of 20 per cent. on luxuries. It was hoped that these additional taxes would give a small surplus, but unfortunately, owing to the very acute trade depression throughout the world, the failure of the monsoon in India, and various other factors, not only was the surplus not realised but there was a deficit of Rs. 28 crores. The additional taxation imposed during the following year included an increase in the rates of income-tax and super-tax, in the general customs duties and in the duty on sugar, machinery, matches and articles of luxury. Railway rates were also raised. Yet, in spite of these fresh levies, there was no promise of financial equilibrium and the Government had to decide to budget for a deficit of Rs. 9 crores in 1922-23.

position of
the Central
Government.

30. The serious financial difficulties of the Central Government gave rise to a general and insistent demand for retrenchment and a committee, commonly known as the Inchcape Committee, was appointed in the latter part of 1922. The Committee made a minute and searching scrutiny of the expenditure of every department of the Central Government and in its report submitted in March 1923 recommended reductions amounting in all to Rs. 19½ crores in the expenditure of the Central Government. The major portion of the proposals of the Committee were given effect to in the budget for 1923-24, but it was of course impossible to obtain the full value of the proposed reductions in the first year. Notwithstanding the heavy all-round increases in taxation during the previous year and the drastic economies in expenditure affecting both civil and military services, the preliminary estimates for 1923-24 again revealed a deficit, and it was considered necessary to double the duty on salt. The Legislative Assembly did not consent to the proposed imposition and the Finance Bill, including the increased salt duty, had to be certified by the Viceroy.

31. The actual outturn of the year 1923-24 was a surplus of Rs. 2.4 crores and since then there have been recurring surpluses, which have been utilised partly for the reduction of taxation and partly for reducing the provincial contributions. The salt duty was reduced in 1924-25 to Rs. 1.4 per maund from the temporary figure of Rs. 2.8 in 1923-24, the cotton excise duty was abolished in 1925-26, and the export duty on

tea and the import duty on machinery in 1927-28. The provincial contributions were gradually reduced and have been finally extinguished in the current year. These financial achievements, however, cannot be entirely attributed to the growth in the normal tax-revenue of the Central Government, for they have been rendered possible, partly at any rate, by alterations in the customs tariff and the imposition of various special protective duties. There are two other factors which have to be weighed in estimating the sufficiency of the resources of the Central Government for its ordinary requirements. In the first place, as will be shown in the succeeding passage of this Memorandum, the present scale of taxation is held by a certain body of opinion to be still unduly high. Secondly, with the loss of the residue of the provincial contributions the budget for 1928-29 only just attains equilibrium : and it remains to be seen not only whether this particular estimate can be realised, but further whether taxation even if maintained on the existing scale is capable of yielding the further increase which will be required to keep pace with the necessary growth of central expenditure on national services.

32. The financial position of the Central Government must be considered from another standpoint also. It is liable to suffer more from external troubles and serious economic crises than Provincial Governments, and it has also to be prepared to sustain the financial burden of certain specially serious emergencies such as war. The question therefore arises whether the present allocation of revenues provides a sufficient margin for such emergencies. The principal taxes on which the Central Government depends are, as has been stated,

- (1) the income-tax,
- (2) customs duties, and
- (3) the salt tax.

It was to these sources of revenue, as well as railway rates, that the Central Government in India, as in many other countries, had to turn in order to secure financial equilibrium after the Great War ; and in recent years it has not been possible to make any reduction in the level of taxation from incomes and customs then reached. Should a similar emergency arise, the Central Government in India will be compelled to have recourse to the same sources for additional funds, however distasteful such a course may be to the public, and it will be particularly distasteful, if the emergency so far as India is concerned is the result of decisions in which their representatives have had no voice. It has, however, been held by certain authorities that even so, the extra revenue which could be raised by increasing existing direct and indirect Central taxation is dangerously inadequate.

The income-tax in India has, so far, not proved to be as elastic a source of revenue as it is in other countries. Direct taxation on income is exceedingly unpopular among the Indian trading and professional classes, and moreover the task of accurate assessment—without which a high graduated rate of income-tax can hardly be justified—has always

presented great difficulties in the peculiar conditions of India. It is only during the last five or six years that the law has been modernised and an increasingly efficient administrative machinery for the assessment and collection of the tax has been organised. But even so, owing to trade depression, the yield of the tax has shown a progressive falling off in the last four years, and the process of accustoming the public to this tax could not have been carried through without serious friction being engendered if the rates had been periodically enhanced. Certain authorities accordingly hold that the tax is one which, at any rate for some years to come, can hardly be raised to meet emergencies. There has also been no decrease in the rates of income-tax and super-tax after the War, which still stand at as high a level as they have ever stood in India.

The yield of customs taxation has increased in the last four years by about Rs. 9 crores, of which about Rs. 1½ crores is estimated to be derived from protective duties. It has been held by certain authorities that the general rate of customs duties, which is now 15 per cent., is far too high for a revenue tariff and is in several cases positively damaging in its effects; that the general level of customs tariff cannot be left un-reduced much longer without serious injury to India's economic interests; and that any really large net increase in the present level of customs taxation in India for the purpose of a future war is out of the question, while even if it were possible the yield would be precarious.

It has accordingly been urged that now that the provincial contributions have been abolished, the Central Government must begin the process, which has had perforce to be postponed hitherto, of effecting such reductions of Central taxation as will begin to give India a reasonable margin of taxable capacity on which the Central Government can rely in an emergency such as another war. On the other hand, it has been argued that the maintenance of taxation from incomes and customs substantially at the present level, with the object of making more money available for outlay on beneficial developments of all sorts in the provinces, will, in itself, lead to the growth of a new generation with greatly increased taxable capacity fitted to bear the fiscal burdens which a war entails. Both aspects of the question will require careful consideration in connection with any proposal which is directed to transferring to Provincial Governments any substantial portion of the revenues from taxation now at the disposal of the Central Government by maintaining that taxation at about its present level.

33. From the point of view of Provincial Governments, the scheme of distribution of revenues has been subjected to very severe criticisms by all the Governments concerned, though these have not always proceeded on the same lines and in many cases were mutually opposed. The arguments urged against the scheme may be classified under six heads—

Meston settlement from the point of view of the Provincial Governments.

- (a) that the provincial contributions to the Central Government fixed by the Meston Committee were not equitable as between the different provinces,

- (b) that the provincial revenues are inelastic,
- (c) that the distribution does not enable the provinces to evolve a system of provincial taxation based on the principle of ability to pay,
- (d) that in the allocation of revenues the requirements of the provinces should have been taken into consideration,
- (e) that Devolution Rule 15, which was intended to secure to the large industrial provinces a share in the growing revenue from taxation of incomes, has completely failed in its purpose, and
- (f) that the annual contributions of certain provinces to the Famine Insurance Fund have been pitched too high.

34. The principal criticisms against the Meston contributions were that the predominantly agricultural provinces were compelled to pay to the Central Government a disproportionately large portion of the proceeds of provincial taxation and that in assessing the contributions on the increased spending power of the provinces, the Meston Committee did not take into consideration the fact that, under the permanent settlement of 1911, the proportion of revenues assigned to each province was not uniform and that the growth of provincial revenues during the period 1911 to 1920 was, as the statement in paragraph 11 shows, very unequal. Even after the contributions have been extinguished, the inequality of the allocation remains; and this feature of the settlement is dealt with elsewhere. But it is unnecessary to discuss further the actual contributions or their prospective amounts, since they have ceased to exist and will not be revived, at any rate in the form in which they were cast by the Meston Committee.

35. So far as the elasticity of provincial revenues is concerned, it will be observed that the income of the Provincial Governments under the present scheme is mainly derived from two sources,—land revenue and excise. Owing to historical reasons, the system of land revenue assessment has developed on different lines in the different provinces. Bengal, Bihar and Orissa and a large portion of Madras have had the Permanent Settlement, while elsewhere the assessment is subject to periodical revision. The abolition of the Permanent Settlement, it is contended, is hardly within the range of practical politics, and it has been argued that it cannot be justified even from the point of view of economic theory. For instance, in Bengal, it is stated, that 90 per cent. of the estates have changed hands and whatever unearned increment accrued on account of the permanency of the settlement has already been absorbed in the purchase price. The abolition of the Permanent Settlement would therefore penalise the present owner of the land for the benefits derived by the original owner. So far as these provinces are concerned, therefore, it would seem that there is no possibility of any appreciable increase in the revenue from land. Even in temporarily settled lands, the revenue has shown very little sign of elasticity during recent years. As the Taxation Enquiry Committee has pointed out in

paragraph 92 of its report, during the period 1903 to 1924, while prices rose by 117 per cent. the land revenue rose by only 20 per cent. and a portion even of this rise was due to an increase of 7 per cent. in the area sown. This is partly due to the policy of moderation that has been followed since Lord Curzon laid down the general principles on which revisions of assessment should be made.

As regards excise, there has been a greater uniformity in policy, but, owing to the fact that liquor is prohibited by religion or social usage in certain communities, its consumption—and consequently the revenue—varies enormously in the different provinces. While the income from excise in Madras, with a population of 42 millions is Rs. 5 crores and in Bombay, with a population of 19 millions is Rs. 4½ crores, the revenue from excise in Bengal, with a population of 47 millions is only Rs. 2¼ crores. Moreover if present political tendencies towards prohibition continue, the revenue from this source is more likely to decline than to increase.

36. The third criticism raises an issue of fundamental importance, and it is directed against the whole system of separation of the sources which has been applied to India. It is pointed out that under the present system it is almost impossible for the provinces to levy their taxation according to the principle of ability to pay or the taxable capacity of their inhabitants. As the authors of the Report on Indian Constitutional Reforms remarked, the income-tax "is merely the industrial or professional complement of the land revenue and to provincialise the latter while India is using the former means giving those provinces whose wealth is more predominantly agricultural, such as United Provinces and Madras, an initial advantage over a province, like Bombay which has very large commercial and industrial interests." In the case of a Province, such as Bombay, a large proportion of whose annual income is derived from industry and commerce, Provincial revenues under the present system can have little relation to the taxable capacity of the inhabitants. Moreover when an important section of the population is removed from the fiscal sphere of the Province, it becomes exceedingly difficult to justify an increase of provincial taxation. This aspect of the matter has not so far attracted much attention owing to the fact that there has been no marked rise in the level of provincial taxation since the Reforms. But as taxation becomes heavier, the more insistent will be the demand that it should be based on the taxable capacity of the different classes, and it is conceivable that, if the present system continued, a province might find itself obliged to choose between the abandonment of further development or the enforcement of an objectionable system of taxation, if it is able and willing to do so.

37. On the other hand, it might be argued that it would be possible to secure that each person was taxed according to his ability to pay through an equilibrium of Central and Provincial taxation so arranged that while neither system tapped the ability to pay of all the inhabitants, the two combined might do so. Such a system, however, it might be

argued, is wrong in theory, for it presupposes a static position and it would unduly hamper each authority in adjusting its taxation to its needs. If one authority happened to need more money and the other less and each adjusted its taxation accordingly, the whole system would be thrown out of gear.

38. It might also be urged in this connection that succession duties, which under the Devolution Rules have been assigned to Provinces, provide a means whereby the system of provincial taxation can be modified to reach the ability to pay of the inhabitants. Inasmuch as these duties fall on realised property and do not affect the man who spends a large portion of the income that he earns, they are theoretically a less satisfactory method of reaching the ability to pay of the whole of the wealthier classes. They do, however, afford a valuable means of increasing to a legitimate extent the burden upon such classes, and if a developed system of succession duties were imposed in the provinces, the force of the arguments against the present distribution would be considerably weakened. It is contended, on the other hand, that partly owing to political difficulties and partly owing to the complexities of the Hindu law of inheritance and other legal difficulties, it would be very unsafe to rely on them, for some years at any rate, as a source of provincial revenue. At least three of the provincial governments seriously considered the possibility of the imposition of death duties, but apparently found the difficulties almost insurmountable. Indeed, the Taxation Committee has definitely recommended that the legislation connected with these duties should be Central.

39. The fourth criticism is that in accepting the scheme for a complete separation of the sources of revenue and recommending the total abolition of the provincial contributions, the Joint Select Committee ignored the importance of certain features which are peculiar to the Indian problem. The Indian provinces, as is well-known, have grown in a haphazard fashion. When a new tract of country was annexed or conquered by the British, it was added to one of the existing provinces or constituted into a separate province according to administrative convenience. They were therefore never at any time independent fiscal units, at any rate since 1833, and until the Reforms they were merely the agents of the Central Government and spent money allotted by the latter. Moreover, frequent changes have been made in the boundaries of provinces within the last thirty years (*e.g.*, United Provinces, the North-West Frontier Province, Bihar and Orissa, Berar, Assam). For these and other reasons connected with the circumstances of their growth, it is urged that they could not be expected to function as self-supporting fiscal units of administration.

They also came under British rule at different dates and in different stages of development. In view of the importance of the maintenance of uniform standards of administration in the different provinces, it is pointed out that, quite rightly, the allocation of revenues before the reforms was made with reference to the needs of the provinces and not

with reference to the revenue collected within the province. The Meston Committee partially recognised the importance of this factor and in determining the initial contributions they deliberately treated some of the provinces rather more generously than the others. They distinctly stated that the *standard contributions*, which were proposed with reference to the taxable capacity of the provinces and other circumstances, were the ideal which was to be reached after the provinces had had time to adjust their budgets to the new state of affairs. The rejection of this part of the scheme by the Joint Select Committee and the final extinction of the provincial contributions have, it is urged, restored the inequalities referred to by the Meston Committee.

40. The validity of the fifth criticism arising out of the failure of Devolution Rule 15 to operate as intended has been admitted by the Government of India on several occasions. The point will be dealt with in some detail in a later passage of this Memorandum which relates to suggestions for the division of the income-tax in any future scheme of allocation.

41. To meet the sixth criticism, for which also there was considerable justification, the Government of India have with the approval of the Secretary of State recently introduced a new scheme of famine insurance, under which the total annual provincial contributions to the Fund will be reduced from Rs. 175 lakhs to Rs. 42 lakhs. The nature of the changes introduced will be described in a separate memorandum.

42. The following three statements illustrate some of the points in the criticisms directed against the present scheme. It is hardly necessary to add that none of the criteria adopted below is by itself adequate for testing the equity of the settlements, but these statements collectively may serve to indicate the inequalities which, it is urged, have resulted from the present distribution of resources :—

- (1) The statement below compares the standard revenue adopted in the permanent settlement of 1911 with the increased income that the provinces have obtained by (a) the normal growth of revenue under the divided heads between 1911 and 1920, and (b) the increased revenue presented to the provinces by the abolition of the system of divided heads and the final extinction of the provincial contributions. The growth of revenue since the Reforms has not been taken into consideration, because provincial governments have had independent powers of taxation since 1920 and the growth during this period is partly due to taxation levied by the provinces. The importance of this statement lies in the fact that the standard revenue in 1911 was determined with reference to the actual needs of the provinces.

(In lakhs of rupees.)

Province.	Standard revenue adopted in 1911.	Increased income resulting from the normal growth of revenue between 1911-20, the Meston Settlement and from the extinction of Provincial contributions.	Percentage increase.
Madras	625	830	133
Bombay	630	486	77
Bengal	563*	251	45
United Provinces	559	619	111
Punjab	360	508	141
Burma	485	374	77
Bihar and Orissa	271*	113	42
Central Provinces	245	131	53
Assam	123*	70	57

(2) The following statement shows the approximate provincial revenues per head of the population and per square mile in the year 1926-27 as they would have been if no contributions had been paid to the Central Government in that year :—

Province.	Per head of the population.	Per square mile.
	Rs.	Rs.
Madras	3·979	1,184
Bombay	6·956	1,089
Bengal	2·249	1,367
United Provinces	2·843	1,213
Punjab	5·663	1,173
Burma	8·356	472
Bihar and Orissa	1·689	690
Central Provinces	3·804	530
Assam	3·399	488

* Figures of 1912-13 minus the special contributions of the Government of India in that year.

(3) The statement given below shows the actual increase in the income of the different provinces between 1912-13 and the current year :—

(In lakhs of rupees).

Province.	Average of 1912-13 and 1913-14.	Budget 1928-29.	Difference.	Percentage increase.
Madras	783	1697	914	117
Bombay	794	1436*	642	81
Bengal	669	1093	424	63
United Provinces . . .	694	1247	553	80
Punjab	485	1273	788	162
Burma	585	1122†	537	92
Bihar and Orissa . . .	321	574	253	79
Central Provinces . . .	316	554	238	75
Assam	170	278	108	63

43. The general nature of the criticisms made by provincial governments has been described. A brief account‡ of the actual operation of the Meston Settlement in each province will now be given. Attached to this Memorandum are a number of statements which exhibit the financial position of the provinces between the years 1921-22 and 1928-29. The Financial position of the provinces.

44. *Madras*.—Madras had deficits for four years in succession after the War, which were mainly due to the necessity for increasing the pay of the subordinate staff required for purposes of administration. The accounts of the year 1921-22 showed a revenue deficit of Rs. 99 lakhs, and in spite of drastic reductions in expenditure and increases in the rates of stamp duties court fees and registration fees, which were expected to yield Rs. 77½ lakhs, the budget for 1922-23 anticipated a deficit of Rs. 42 lakhs. By the end of 1923-24, however, the financial position, considerably improved. The revenue showed signs of recovery and the policy of retrenchment was also pursued consistently. In spite of a provision of Rs. 57 lakhs for new schemes and grants to local authorities, the budget for this year showed only a deficit of Rs. 25 lakhs, which was turned into a surplus owing to an unexpected windfall and a saving of Rs. 59 lakhs in expenditure. In the following year, further retrenchments were made, which were expected to result in a saving of Rs. 18 lakhs during the year and Rs. 36 lakhs ultimately. The budget anti-

* Excludes interest received from the Local Bodies in Bombay, being merely a book adjustment.

† Includes revenue from Shan States Federation for purposes of comparison.

‡ These accounts are largely based on the annual reports submitted by the Provinces.

anticipated a surplus of Rs. 15 lakhs over the expenditure in spite of the inclusion of new items costing over Rs. 20 lakhs. In 1925-26 the contribution of the province to the Central Government was reduced by Rs. 126 lakhs, and this sum was partly utilized for repayment of loans borne upon the old provincial loans account which had hitherto been met by fresh borrowings. Since then, mainly owing to the remission of the provincial contributions, Madras has had big surpluses, the utilisation of which has been engaging the attention of the provincial government.

The grievance of this Government was that it was obliged to contribute a disproportionately large portion of its income towards Central expenditure. With the final remission of the provincial contribution, the province has been placed in an exceptionally favourable position.

45. *Bombay.*—This province had an opening balance of Rs. 306 lakhs on 1st April 1921, but the account for that year showed a revenue deficit of Rs. 191 lakhs and the budget estimates for 1922-23 anticipated a revenue deficit of Rs. 50 lakhs in spite of increases in the rates of stamp duties and court fees, which were expected to yield an additional revenue of Rs. 60 lakhs in that year. The major portion of the deficit, however, was due to heavy interest charges on the debt incurred in connection with development operations in the city of Bombay. It was expected at the time that it would be possible to recoup these amounts from the sale of land reclaimed. This expectation, however, has not been realised and the financial difficulties of this province in the subsequent years are, to a considerable extent, due to the commitments on account of these schemes.

The budget of 1923-24 would have shown a small surplus, but for the interest charges of Rs. 63 lakhs on account of the Development Department. In the following year again, in spite of retrenchments in expenditure to the extent of Rs. 32 lakhs recurring, the budget anticipated a deficit. In 1925-26 the totalisator betting tax and in 1926-27 a tax on transfer of property in Bombay were introduced. The rates of court fees were also enhanced. But in spite of the additional taxation amounting in all to about Rs. 90 lakhs introduced since the Reforms and the drastic retrenchments made in expenditure, the province has had a series of deficits, which have reduced the opening balance of Rs. 306 lakhs in 1921 to Rs. 7 lakhs at the end of 1928-29 (budget).

Apart from the financial embarrassments caused by ventures such as the Bombay development scheme, these difficulties would seem to be due largely to the fact that Bombay is the most highly industrialised province in India and that it has a higher proportion of urban population than any other province. The standard of living is comparatively high in the industrial cities of the Presidency and, owing to the migratory character of the labour population, this has, it is stated, indirectly, affected the standard in the villages, to which most of the villagers, who resort to industrial centres, retire after a certain period. The scales of salaries particularly in the subordinate services, are much higher

than in the other provinces, partly, it is stated, on account of the cost of living and partly on account of the alternative avenues of employment provided by industrial concerns.

On the other hand, the provincial revenue per head of the population in this Presidency is higher than in most other provinces. Two factors have possibly contributed to this result :—

- (a) The development of industries and the urbanisation of the province have resulted in a more rapid increase in the values of land than elsewhere, and consequently in land revenue.
- (b) The consumption of liquor is always abnormally high in industrial areas and Bombay, as has already been noticed, derives a larger revenue from excise per head of the population than any other province in India.

The Meston Committee, it may be noted, pointed out that Bombay had reached a scale of expenditure far above the Indian average and that the pace of expansion of its revenues was also distinctly higher than in other provinces.

46. *Bengal*.—Bengal started with an opening balance of Rs. 272 lakhs in the beginning of 1921-22, most of which, however, was wiped out by the revenue deficit of Rs. 216 lakhs at the end of that year. In the following year, owing to its peculiar financial difficulties, its contribution to the Central Government was remitted after a detailed and careful examination of its financial position. Additional taxation in the shape of higher stamp duties and court fees and an entertainment tax, which was estimated to yield altogether Rs. 140 lakhs was also imposed. By this means and by retrenchment in expenditure, the province was able to maintain a small surplus until 1926-27 when for the first time for several years, the accounts showed a deficit of Rs. 21 lakhs. The revised estimates for 1927-28 and the budget estimates for 1928-29 also anticipate small deficits.

Judged by these figures, the financial difficulties of Bengal have not been as serious as those of Bombay, but it is stated that there has been very little development in the nation-building services entrusted to the Ministers since the Reforms, owing to the impossibility of providing additional resources. The difficulties of the province arise from the inelasticity of the two principal sources of provincial revenue, *viz.*, land revenue and excise. Owing to the Permanent Settlement and the temperate habits of the people and the movement in favour of prohibition throughout India, neither of these sources of revenue has shown itself capable of expansion comparable to that enjoyed by Bombay from the same sources. The situation, it is stated, so far as Bengal is concerned, is further aggravated by the fact that the administration of Calcutta, which is an all-India port and which contains practically all the big jute mills, absorbs a disproportionately large portion of provincial revenues. The cost of the Calcutta police in 1925-26 was more than Rs. 31 lakhs. The case of Bengal, in short, is that there is no margin for development. In fact, if the fall in the purchasing value of the rupee were taken into

consideration, it might be argued that there has not been any appreciable increase in the spending power of the province since 1913 (see statement in paragraph 42).

On the other hand, it might be argued that there has been very little development of local taxation in this province. The great controversy that arose in 1871 in Bengal regarding the legality and propriety of levying a cess for educational purposes on permanently settled land was finally settled by a formal pronouncement of the Secretary of State distinctly affirming the liability of such land to additional taxation in the shape of local cesses and rates. A local cess has ever since been in existence in Bengal but, although there is no legal impediment in the way of an increase in the rates of these cesses, there has been very little increase in the income of the rural boards, which has risen from Rs. 66.19 lakhs in 1918-19 to only Rs. 76.25 lakhs in 1925-26.

47. *The United Provinces*.—The annual accounts of this province show a succession of deficits since the introduction of the Reforms up to the end of 1925-26 amounting in all to over Rs. 3 crores, which were met partly from the opening balance of Rs. 89 lakhs at the beginning of 1921-22 and partly by the appropriation of a considerable portion of a loan which the provincial government had raised in the open market for development purposes. Except for an increase of irrigation rates and court fees, there has been very little additional taxation. It may be noted that this Government had to be warned by the Government of India that no loans would be sanctioned, whether they were to be raised in the open market or obtained from the Central Government, if the proceeds were likely to be applied in practice to the financing of revenue deficits.

The general financial position was a source of considerable anxiety until the year 1925-26 when, owing mainly to the remission of Rs. 56 lakhs of its contribution to the Central Government, financial equilibrium was expected to be restored. The actuals of the year, however, showed a deficit of Rs. 31 lakhs. With the gradual reduction and final cessation of its contribution, the financial position has improved very considerably and the revised estimates for 1927-28 show a surplus of Rs. 152 lakhs. The following remarks of the Finance Member of the Province in his budget speech in 1927 summarise the present financial position of the Province :—

“How much yet remains to be done I recognise as clearly and as readily as any one. But there is reason to hope that in the matter of finance, we are at length turning the corner. The remission of our contribution for which the budget of the Central Government provides will add materially to our resources. Further our revenues will before long steadily increase.....Our revenues, however they may expand, will never be in excess of our needs. But in the coming years they will, I believe, be more adequate to our requirements than they have been in the period that has elapsed since the Reforms.”

Since then the province has received the benefit of the final remission of the last instalment of the provincial contributions.

48. *The Punjab*.—The revenue of this province has increased from Rs. 710 lakhs in 1921-22 to Rs. 12,73 lakhs in 1928-29 (budget) and its finances seem to be in a very flourishing condition. But it did not escape from the consequences of the rise in prices, the depression in trade and other factors which contributed to the financial embarrassments of the other provinces and of the Government of India in the first few years following the introduction of the Reforms. The revised estimates for 1921-22 and the budget estimates for 1922-23 disclosed deficits amounting to Rs. 149 lakhs and Rs. 130 lakhs respectively. Additional taxation, which mainly took the shape of increased registration fees, mutation fees, court fees and stamp duties, was imposed in 1923 and a persistent effort was also made to reduce the expenditure. The deficits in these two years were, however, due in part to certain specific abnormal causes such as a particularly bad monsoon in 1921-22, and with the normal increase in revenue financial equilibrium was restored in 1923-24, since when the province has been free from serious financial difficulties arising from failure of resources. The revenue surpluses in the years 1923-24 to 1925-26 amounted in all to over Rs. 4½ crores. Apart from the normal growth of revenue, these were partly due to the sale proceeds of land and to the increase in the water rates on the canals, in 1924. With the remission of provincial contributions, the province was actually able to reduce its taxation in 1925-26 and 1926-27 and has been able to finance a large portion of its capital expenditure on productive schemes such as irrigation works, from revenue. In 1927-28 (revised estimates), Rs. 125 lakhs were spent from revenue on capital expenditure, while in the budget for the current year provision has been made for an expenditure of Rs. 134 lakhs on irrigation and civil works, to be met from revenue. It is also understood that the Government have been considering the question of further remission of taxation, if this should be found feasible after the requirements of the province are met.

49. *Burma*.—The statement annexed to this Memorandum relating to the finances of Burma since 1921-22 does not fully reveal the actual financial position. A peculiar feature of the finances of this province was the very large receipts realised before the Reforms from the system of rice control, which have to a very great extent been utilised subsequently for financing capital expenditure. While the figures of revenue since the Reforms have also been swelled to a small extent by such abnormal receipts, the figures of expenditure include a very large amount of capital expenditure incurred from the accumulated rice control profits. The amounts of non-recurring capital expenditure proposed to be met from these balances in the budgets of 1923 to 1927 are shown below :—

(In lakhs of rupees.)

1923-24.	1924-25.	1925-26.	1926-27.
191	118	88	203

In fact, the province was able to meet all its capital expenditure until 1927-28 without borrowing and the apparent revenue deficits shown in the accounts have been met from the huge opening balance of Rs. 572 lakhs with which it started in 1921-22. It will be observed from the statement that this province raised no loans in the market and owed no money to the Government of India until 1927-28. Its opening balance, however, has been reduced from Rs. 572 in 1921-22 to Rs. 9 lakhs in 1928-29 (budget estimates).

With the exhaustion of the amounts to the credit of the rice control account, the question of balancing the provincial budget will become a matter requiring serious consideration. The financial position of this province is in many ways somewhat peculiar. It was the last province to come under British rule and it is still very largely undeveloped. Its system of taxation continues to be of a very primitive character and the revenue from land is small. Unlike the rest of India, it had no regular system of land taxation before British rule. Upper Burma relied and still relies very largely on the *thathameda*, which is a tax apportioned among the villages and assessed roughly with regard to the circumstances of each family in the village. Though theoretically it is not a poll tax, it operates as one. In Lower Burma, the principal tax has been the capitation tax, which is now levied at a flat rate on all males between the ages of 18 and 60 years. Since 1893 a land tax on private lands has been partially substituted for the *thathameda* but the land revenue system is still undeveloped. Except in some of the bigger towns, there is no system of local taxation independent of the provincial administration.

There has been for several years a very strong popular demand in Burma for the abolition of the two primitive taxes, the *thathameda* and the capitation tax, and on the advice of a committee recently appointed by the local Government, it has been decided to earmark the proceeds of these two taxes for local purposes. They are therefore in theory at any rate no longer available for provincial purposes.

50. *Bihar and Orissa*.—The financial difficulties of Bihar and Orissa are very similar to those of Bengal. Its revenues are very inelastic, on account of the permanent settlement and its solvency during recent years has depended on the vagaries of the excise revenue. Its revenue per head of the population is the lowest in the whole of India and the province is still very largely undeveloped. In view of its peculiar position, the Meston Committee recommended that no share of the "initial contributions" towards Central expenditure should be demanded from it.

By additional taxation and by a conservative policy as regards development, it was able to avoid a revenue deficit until 1926-27, the accounts for which year show for the first time since 1921-22 an excess of expenditure over revenue of Rs. 31 lakhs. The revised estimates for 1927-28 and the budget estimates for 1928-29 show deficits of Rs. 29 lakhs and 14 lakhs respectively. The financial difficulties of

the province will begin when the opening balance, which amounted to Rs. 101 lakhs in the beginning of 1921-22, has been exhausted and the demands for the development of the nation-building services become more insistent.

51. *Central Provinces*.—In the first year after the introduction of the Reforms, the accounts of this province showed a deficit, which was met from the opening balance of Rs. 51 lakhs. As a result of the additional taxation imposed in 1923 and the policy of retrenchment, there was a surplus in the following four years. There was, however, a deficit of Rs. 67 lakhs in the year 1926-27, which was mainly due to the fact that the Act of 1923 authorising the increases in the rates of stamp duties and court fees for three years expired in this year. With the remission of the provincial contributions, financial equilibrium has again been restored and the financial position of the province is stated to be satisfactory.

52. *Assam*.—Assam had small revenue deficits during the first two years after the introduction of the Reforms, but owing largely to an improvement in its revenue position, the province has not been faced with any serious financial difficulties since 1923-24. With the remission of the contribution of Rs. 15 lakhs, its financial position has been further strengthened. It has also, owing to a change in the income-tax law, got larger amounts under Devolution Rule 15 than any other Province except Burma during recent years.

53. It would seem from the survey of the finances of the various Provinces since the introduction of the Reforms that the criticism regarding the inequalities arising from the scheme of allocation of revenues is not without justification. It might be argued that the remedy for these inequalities would be a fresh re-distribution of resources. On the other hand, there is not a clean slate to write upon and practical considerations impose limits on the scope for a revision of the settlement. Rightly or wrongly, certain revenues have been allocated to Provincial Governments, who have adjusted their standards of expenditure accordingly. It would be impracticable to demand that schools and hospitals should be closed in one Province in order to provide additional resources for other Provinces which are less developed and which in the earlier settlements received resources which they found inadequate. From this it would follow that no alteration in the distribution of the sources of revenue would be possible except in respect of such taxes included in the Scheduled Taxes Rules as have not already been exploited by Provincial Governments unless—

- (a) other sources of revenue are offered by the Central Government as compensation, or
- (b) definite fixed or variable assignments are made.

In other words, the inequalities arising from the present settlement can in practice only be removed by the sacrifice of Central revenues, either existing or potential. So far this has been found to be imprac-

licable. The abolition of the Provincial contributions in 1928-29 has for the time being left practically no margin in the Central budget. It would, in fact, not have been possible to carry out in the current year the partial revision of the Meston Settlement referred to in paragraph 26 even if the Provinces had agreed to it, and in contemplating the possibility of an inroad upon Central revenues it is necessary to bear in mind the Central liabilities arising out of the very responsible functions, such as defence, assigned to the Central Government under the constitution.

POSSIBLE LINES OF DEVELOPMENT.

54. It is now proposed to discuss various remedies that have been suggested for removing the inequalities arising from the present distribution of resources. These are :—

- (1) The introduction of a system of grants-in-aid for specific services, as distinguished from contributions for general purposes referred to in (5).
- (2) A partial reversion to the system of divided heads.
- (3) Empowering Provincial Governments to levy a surcharge on some of the Central taxes.
- (4) A re-distribution of the sources of revenue now allocated to the Central and Provincial Governments.
- (5) The grant of fixed or variable contributions from the Central Government to the Provincial Governments or *vice versa*, if an equitable distribution cannot be effected by one or more of the methods indicated above.

Grants-in-Aid.

Possibilities
of a system
of grants-in-
aid.

55. It has been explained in a separate Memorandum that under the existing constitution of India it is not permissible to make assignments or grants from Central Revenues to Provincial Governments for expenditure on a Provincial subject. The origin of this arrangement may be traced to the conception in para. 201 of the Report on Indian Constitutional Reforms, that "if provincial autonomy is to mean anything real, clearly the provinces must not be dependent on the Central Government for the means of provincial development." The soundness of this conception, as a general proposition, is hardly open to doubt, as Professor Seligman has observed*: "To have the federal government depend entirely upon largesses from the states is to render it more or less impotent, and certainly to make it subordinate to the states. * * * * * On the other hand, to make the separate states depend financially upon the federal government is to weight the balance in the opposite direction and is not, in the long run, desirable in the interests of a complete equilibrium."

* Seligman : Essays in Taxation, pages 666-667.

56. At the same time, it is possible to argue with some force that it is neither necessary nor desirable to have any hard and fast rule on the subject in the Indian constitution. No such rule exists in the constitutions of the Dominions or other federal states ; and as it has been mentioned in a separate Memorandum that grants-in-aid from federal revenues to the States have been given in Canada for the purpose of constructing and improving the highways, and of developing agricultural and technical education, and in Australia for the provision of hospital treatment for persons suffering from venereal diseases. Further, as stated in that Memorandum, the existence of the rule in the Indian constitution has led to administrative difficulties. There are, however, more general considerations. Thus it will be for consideration whether the Central Government should not be competent on suitable occasions to utilize any surplus revenues at its disposal not for the remission of Central taxation but for the allotment of money as grants-in-aid to the provinces for a series of years so as to enable them to make more rapid progress with measures of national development or measures necessitated by India's international commitments than is possible with the unaided resources of particular provinces. Similarly it may be found, when spheres of taxation have been allocated, that in certain circumstances it would be suitable that the Central Government should raise further taxation on a uniform all-India basis and make the proceeds available to the provinces for national development in a particular direction, *e.g.*, construction of roads. It is, therefore, a matter for careful consideration whether the rigid rule in the Indian constitution should not be abrogated, and the Central Government given a free hand to make grants to Provincial Governments for specified purposes, subject to the vote of the Central Legislature.

57. In connection with these grants-in-aid from Central Revenues, there is a further question which will require consideration, *viz.*, the degree of control which the Central Government should exercise in regard to services in the provinces for which a grant-in-aid is given from Central Revenues. In England, grants are made out of sums voted by Parliament to local authorities for the purpose of meeting a portion of the expenditure on services of national importance, like education, police, etc., and in connection with these grants a high degree of central control is imposed on the local authorities. In the words of a well-known authority* on local self-government in England "the National Government in the course of three-quarters of a century from 1832 successively 'bought' the rights of inspection, audit, supervision, initiative, criticism and control, in respect of one local service after another, and of one kind of local governing body after another, by the grant of annual subventions from the national Exchequer in aid of the local finances ; and therefore, in relief of the local rate-payer." In India a somewhat similar control is exercised in connection with grants made to local authorities by the Provincial Governments or by the

* Sydney Webb's Grants-in-Aid, page 6.

Central Government in areas directly administered by it. The question of the degree of control that should be exercised over provincial administrations consequent on the acceptance by the provinces of grants-in-aid from Central revenues requires careful consideration. It would probably be not unreasonable for the Central Government to demand in connection with these grants the right to co-ordinate the activities in the various provinces with a limited amount of control which may be requisite to secure a uniformity of standards and a synchronisation of the pace of progress in the various provinces. It is a much more difficult question, however, whether in the case of provincial services, a portion of the expenditure on which may be met from grants from Central Revenues, the Central Government should have the right to impose a degree of control similar to that which has already been described as prevailing in England, and in India also in respect of the activities of local authorities. Under the Canada Highways Act of 1919 (9-10 George V Chapter 54) the payment of grants to the provinces is subject to the following conditions :

- (a) Any highway for which aid is granted shall be constructed or improved, as the case may be, in accordance with the terms of an agreement to be made by the Minister (of the Federal Government) with the Government of the province. Such agreement must be approved by the Governor in Council and shall contain such provisions, as to location, cost, description, specifications, time and method of construction, supervision and other necessary particulars as are essential to protect the public interest. Except for reasons set forth in such Order in Council and except with the consent of both Governments, all expenditure under the Act shall be by tender and contract.
- (b) The aid to be given in any case shall be forty per cent. of the amount which in the opinion of the Minister is the actual, necessary and reasonable cost of the construction or improvement of such highway as the case may be.

The Canadian Technical Education Act of 1919 (9-10 George V Chapter 73) similarly prescribes the terms and conditions upon which payments of grants from Federal Revenues for technical education are to be made to the provinces. These precedents suggest that the question of control conditioning grants-in-aid must be determined not only with regard to the constitutional position of the Central and Provincial executive but also with regard to the discretion of the Central Legislature to attach conditions to grants-in-aid requiring its authorisation.

System of Divided Heads.

58. Opinion in India, official as well as non-official, has for many years advocated the complete separation of the sources of revenue of the Central Government and the Provincial Governments as an ideal towards which the financial policy of the Government of India should

tend, and any suggestion for even a partial réversion to the system of divided heads might be regarded as economic heresy and would probably be received with considerable distrust by the Provincial Governments. It is therefore desirable to analyse the reasons which necessitated the meticulous control associated with that system and to discover whether administrative control is an inevitable result of any system of divided heads. The circumstances which led to this control under the pre-Reform settlements are stated as follows in para. 109 of the Report on Indian Constitutional Reforms :—

“ Because provincial settlements have been based, not on provincial revenues but on provincial needs, a central control over provincial expenditure is not merely justifiable but inevitable. The Government of India could not allow a province to go bankrupt. But if the Government of India were responsible for provincial solvency, they must be in a position to control provincial expenditure ; indeed, in view of their own competing needs, they could hardly avoid feeling a direct interest in keeping down charges. Again, as regards revenues, so long as the Government of India take a share in the proceeds, they have a strong motive for interfering in details of administration. Their interest in land revenue, for example, inevitably leads them to a close supervision over revenue settlements ; and the control tends to become tighter in cases where expansion and development, as in the case of irrigation, depend on capital outlay.”

It was in order to avoid this control and interference by the Government of India in Provincial matters that the authors of the Report aimed at finding some means of entirely separating the resources of the Central and Provincial Governments. They were of opinion that the arrangements which had on the whole worked successfully between two official governments would be quite impossible between a popular and an official government.*

59. There are, however, several methods by which the proceeds of a tax may be divided between the Central Government and a Provincial Government. The division may be effected by—

- (a) a division of the sphere within the tax itself, or
- (b) the assignment to one or the other of the authorities of a basic rate, the balance to go to the other authority, or
- (c) a division in accordance with some arbitrary fraction.

It is only to the third method that the arguments stated in the quotation above have any application. For instance, they could not be urged against a scheme for the division of the proceeds of a tax on tobacco, under which the excise duty would be credited to the Central

* Para. 200 of Report.

Government, while the Provinces would be allowed to levy fixed license fees on shops for the sale of tobacco. Nor would they apply to a method for the division of income-tax under which the taxation on corporations is assigned to one and that on individuals to another, or to a scheme for the division of the proceeds of a Central tax collected directly by a Central Department.

60. The possibility of dividing the sources of revenue now classified as Central or Provincial may now be considered. It may be premised that division will not be appropriate in the case of all heads, and that it will be convenient for certain heads to remain wholly Provincial or wholly Central.

61. *Land Revenue*.—Land revenue appears to be a source of revenue which should appropriately belong to the Provincial Government. Not only does its intimate connection with all the details of Provincial administration render it pre-eminently a Provincial subject, but on theoretical grounds also it is clearly appropriate for Provincial or local taxation. Indeed, in most of the countries of Europe, the land tax is almost entirely appropriated for local purposes.

62. *Court Fees*.—Court fees may be regarded either as a payment for services rendered or, if they appreciably exceed the cost of the courts, as a tax. In either case, being connected closely with Provincial subjects and falling almost entirely on the inhabitants of the Province, they have been held to be clearly suitable for assignment to the Province.

63. *Non-judicial Stamps*.—Stamp duties can be divided into two appropriate classes :—

- (1) Those which relate to commercial and *quasi*-commercial transactions.
- (2) Those which relate to other transactions, particularly concerning land.

Under the present system, certain stamp duties which it is considered important to keep uniform on account of their commercial importance are reserved, so far as the rate is concerned, for Imperial legislation. All other stamp duties can be altered by the Provinces and the revenue from the reserved duties also goes to the Provinces or, speaking more accurately, to the authority which happens to sell the stamp which is used. So far as the commercial transactions are concerned, it is obviously important that the rate should be uniform throughout India. Moreover, such important problems as the extension and improvement of banking and money market facilities with which the Central Government have to deal are closely bound up with questions of stamp duty relating to commercial transactions. Uniformity of other stamp duties is not however, essential and there does not seem to be any serious objection to a variety of rates.

The authors of the Report on Indian Constitutional Reforms had intended that the revenue from general stamps should be allocated

to the Central Government, but it was diverted to the Provincial exchequer by the Meston Committee because they could find no other means of securing a complete separation of the sources of revenues between the Provincial and Central Governments which would give adequate revenue to certain Provinces. The Taxation Committee suggested the re-transfer of non-judicial stamps to the Central Government but, as has already been stated, owing to strong objections raised by some of the Provincial Governments, the Government of India proposed that commercial and *quasi-commercial* stamps should be assigned to the Central Government while all other stamps should continue to be Provincial. The question was referred to a sub-committee of the Conference of Financial Representatives held in November 1923 and a list of instruments, the stamp duty on which the sub-committee recommended should be credited to the Central Revenues is given in Appendix II.

64. *Customs duties—Export duties.*—Export duties differ from import duties in the fact that their incidence is not always on persons subject to the jurisdiction of the State. The accepted theory is that when an export duty is imposed on a real monopoly, the tax falls upon the foreign consumer and to the extent to which the article is not a monopoly, the tax tends to shift from the foreign consumer to the home producer. Export duties are generally recognised as a pernicious form of taxation. In fact, the constitution of the United States of America prohibits absolutely the imposition of such duties. Their injurious effect is recognized in the Resolution of the International Economic Conference which severely condemns this form of taxation.

The principal argument that has been urged in support of the claim by some Provinces for a share of the proceeds of these duties is based on the assumption that the articles on which the duty is levied are not a complete Indian monopoly. The principal export duties levied in India are on jute and rice. In the case of both these articles, however, the incidence of the tax can be fairly definitely localised, for Bengal practically monopolises the export of jute while Burma exports more than 90 per cent. of the total quantity of rice sent out from India. It is also possible to argue that to the extent that the tax falls on the producer, the margin of taxation on land for State or local purposes is reduced. The objections to the division of the proceeds of these duties are stated below :—

- (1) In the first place, the primary justification for the levy of export duties specially on jute and rice, lies in the fact that they are practically Indian monopolies. Jute is almost an absolute monopoly, while, in the case of rice, the monopoly is shared by Indo-China and Siam, which also levy similar duties. It has been argued that the taxes in both cases fall on the foreign consumer and there is therefore, no theoretical justification for assigning a share of the proceeds of the duty to any individual Province.

- (2) There are also practical objections. These export duties may not be a permanent feature of the Indian financial system. If a substitute were found for jute, it would be necessary to reduce or abolish the tax entirely, and if a Provincial Government were interested in the duty, it might be more difficult to make any change to protect the interests of the trade. The fate of the saltpetre industry in India emphasises this point. The export duty levied on saltpetre in 1860 stimulated the manufacture of artificial saltpetre to such an extent that within a period of six years the export was reduced to less than one-third. As stated in the quotation from Sir John Strachey given in the Report of the Fiscal Commission, "export duties enjoy the credit of having ruined the Indian trade in saltpetre. They were taken off when it was too late to repair the mischief."*

65. *Import duties.*—The general objection to the appointment of customs duties does not apply to articles such as liquor which are ordinarily transported in bond. The question of sharing the proceeds of customs duties therefore arises only in the case of wines and liquor. From the administrative point of view, it might also be considered desirable that the position as regards the sphere in respect of foreign liquor should be clearly defined in order to avoid a conflict of interests between the Central and Provincial Governments in India. This conflict arises in three ways :—

- (1) Provincial Governments can now tap what is really a Central source of revenue by a levy in the guise of vend fees or transport fees what is really an addition to the duty on this class of liquors.
- (2) Provincial Governments may, in pursuance of their policy of prohibition, restrict or prohibit the sale of foreign liquor.
- (3) Provincial Governments may encourage the sale of country-made foreign liquor (the excise duty on which, under the present system, is credited to Provincial revenues) to the detriment of the sales of imported liquor and of Central revenues.

A division of the proceeds of the customs duty on foreign liquor on the following lines might be viewed as unobjectionable theoretically and would also avoid the present conflict of interests, provided certain restrictions are imposed in order to enable the Central Government to fulfil their obligations under international treaties :—

- (a) Customs duties on imported liquors might be fixed on an *ad valorem* or specific basis and foreign liquor might be subjected to a duty at the general rate of 15 per cent. or it might be treated as a luxury article and subjected to a duty of 30 per cent. The present rates amount to 75 to 100 per cent.

* Report of the Indian Fiscal Commission, page 105.

ad valorem. The liquor might be transported in bond and Provincial Governments might be allowed to levy excise duties at any rate they considered necessary.

- (b) An alternative to this would be to abolish customs duties on imported liquor altogether and to allow Provincial Governments to levy excise duties as they thought fit on foreign liquor consumed in their territories. The proposal has been described in another memorandum, but it may be mentioned here that the complete abolition of customs duties would seem to be a serious step.

The following statement shows the consumption of imported spirits in the different Provinces in the year 1925-26 :—

	Thousands of proof gallons.
Madras	103
Bombay and Sind	260
Bengal	223
Bihar and Orissa	16
United Provinces	70
Punjab	53
Central Provinces	15
Assam	13
Territories under the Government of India	45

It will be observed that a distribution of the customs revenue on the lines indicated above would largely benefit Bombay and Bengal, which are the Provinces that have suffered most by the defective operation of Devolution Rule 15.

66. *Salt*.—In the case of the tax on salt, it is not easy to trace consumption. Salt being a necessity of life, it might be argued, that a distribution of this duty on a population basis would not be open to any theoretical objection. There are also possible political advantages in making this a divided head. As a matter of fact, however, owing to differences in diet, the average consumption per head of the population varies considerably in the different provinces. Moreover, it is practically the only big reserve which the Government of India have in the case of an emergency such as war.

67. *Excises*.—Where the locality of consumption cannot be traced, it seems clear that an excise duty must be Central. In the case of the excise duty on liquors, duty usually follows consumption and so long as this principle is observed, there is no theoretical or practical objection to the allocation of this source of revenue to the Provinces.

The only other excise duty of importance that is now levied is that on petroleum and kerosene oil. The tax is levied at the refinery and though at the time of levy the destination of a particular consignment may be known, it cannot be guaranteed that it will be consumed in a particular area. The fact that the transport and storage of petroleum is under license and that distribution is in the hands of one or two com-

panies may, however, enable consumption to be traced adequately. In that case it would be feasible to divide this excise among the Provinces if necessity for such a step should arise.

68. *Income-tax*.—The possible methods of dividing the income-tax, which has been the subject of controversy since the reforms, will now be dealt with. The problem has been examined very exhaustively by the Taxation Enquiry Committee in paragraphs 528 to 538 of their report. The main reason why a division of the income-tax between the Central Government and the Provinces is desirable has been indicated in an earlier portion of the Memorandum. It is, briefly, that the taxation systems of the Provinces must be theoretically unsound so long as they do not embrace some method of levying progressive taxation upon ability to pay as represented by commercial and industrial interests. As has been observed in an earlier portion of the Memorandum, a division of the proceeds of the income-tax is already in force under Devolution Rule 15. In the form in which it now exists it provides that the Provincial Government shall receive three pies in each rupee on that portion of the assessed income in a Province which is in excess of the assessed income of the year 1920-21. The rule, however, has failed to give the commercial and industrial Provinces a share in the income-tax, since Bombay has received nothing since 1922-23 and Bengal since 1921-22, while Burma and Assam have received comparatively large assignments not from any marked expansion of non-agricultural income in the Province but owing to certain fortuitous circumstances. The following statement shows the actual amounts received by the Provinces since the Rule was introduced :—

Amounts realised by the Provinces under Devolution Rule 15.

(Figures in lakhs of rupees and two decimals).

	1921-22	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.	1927-28 Revised.	1928-29 Budget.
Madras . . .	4.08	..	10.82 (5.60)	1.57	4.27	4.64	[5.20	6.50
Bombay . . .	14.72	3.00	(13.50)	..	..	..	..	..
Bengal . . .	0.95	..	..	..	..	..	..	..
United Provinces .	3.20	[0.33	..	..	0.03	..	..	..
Punjab . . .	0.30	5.69	4.24 (0.06)	1.00	3.82	4.02	3.50	4.00
Burma . . .	3.85	(1.11)	0.38 (—0.08)	5.00	8.92	14.32	15.00	14.00
Bihar and Orissa .	0.58	2.87	2.55	2.55	2.41	3.25	3.60	3.50
Central Provinces .	0.90	1.49 (0.39)	3.42	2.30	1.36	2.18	[1.60	[2.00
Assam . . .	0.02	1.15	4.16	5.54	5.29	4.92	6.00	6.00
TOTAL .	28.60	14.53 (1.50)	25.57 (19.14)	10.76	26.10	33.33	34.90	36.00
		16.03	44.71					

N.B.—Figures in brackets indicate adjustments on account of previous years.

69. Apart from the fact that this plan of division has been a failure in practice, there exist reasons which render it unsuitable as a permanent method of dividing the income-tax with the Provinces. In the first place, its dependence on a datum line must necessarily involve arbitrary results. A Province which failed to assess its income-tax properly up to 1920-21 stands to gain out of the arrangement, while a Province which collected its income-tax efficiently stands to lose. Moreover, the income-tax in the commercial Provinces depends largely on the main industries and the periods of prosperity and depression in each of these do not necessarily synchronise. Another objection to the principle of the Rule is that, except in the case of businesses transferred for assessment from one Province to another, it takes no account of the claims of residents and enables the Province of origin to appropriate a share of the tax which is really paid by inhabitants of other Provinces. This objection, however, could be surmounted if proper arrangements could be made for the allocation of the revenue to the Province of origin. In fact, such arrangements are in force between the Government of Bengal and the Governments of Assam and Bihar and Orissa regarding the apportionment of the income-tax collected in Calcutta on the profits of tea and mining companies. The real defect of the Rule is that it does not enable a Province to reach the capacity of the income-tax paying classes as a whole. The share which the Province receives is merely a proportion of the income which exceeds that of the datum line and it is in no sense a share in the taxation of the income whose equivalent happened to be assessed to income-tax in the datum line year. The Taxation Enquiry Committee, therefore, condemned the system of distribution laid down in Devolution Rule 15 as fundamentally unsound.

70. Other possible ways of dividing the income-tax have been discussed in paragraph 530 of the Taxation Enquiry Committee's report. They are as follows :—

- (1) The Provinces might be empowered to levy and administer an income-tax separate and distinct from that levied by the Government of India.
- (2) The income-tax might continue to be levied by the Government of India, which might at the same time levy *centimes additionnels* for the benefit of the Provinces.
- (3) The income-tax might continue to be levied by the Government of India, but a definite share of the yield might be allocated to the various Provinces on principles to be determined.

71. The principal objection to the first method, which is contemplated in various federal constitutions such as Australia, Canada and the United States, is that the existence of two independent taxing authorities operating within the same sphere has given rise to serious difficulties and has been the cause of considerable irritation to the tax-payers. The system involves the submission of separate returns to two different authorities and the understanding of the provisions of two different

taxing schemes. On the other hand, it might be argued that in several Provinces in India local authorities are already permitted to levy taxes directly assessed on income. Moreover, the exemption limit for the Central income-tax is regarded by many authorities as too high for Indian conditions and this might be urged as an argument for permitting Provincial Governments to levy an income-tax (not necessarily on the same basis as the Central income-tax) on the personal incomes of assesseees resident within the Province. If they were permitted to do so, it would be necessary to impose certain conditions on the levy of the tax in order to prevent any encroachment by the Provinces on the fiscal sphere of the Central Government.

It may, however, be mentioned that quite recently Australia has discarded the first method in favour of the third (*vide* Appendix I) ; and that in Canada the Provinces in actual practice apparently derive their income-tax revenue from some form of corporation tax.

72. The second method, *viz.*, the levy of *centimes additionnels*, obtains as between the State and local taxation in France, Belgium and various other European States. The merits of the system and the reasons why it was rejected by the Taxation Enquiry Committee will be discussed in a subsequent paragraph.

73. The third method, in the opinion of the Taxation Committee provides the most appropriate solution, since it involves no additional trouble either to the assessing authority or to the tax-payer and it permits of variations in the respective shares of the Central and Provincial Governments without any dislocation of the machinery of assessment and collection. The manner in which an allocation between the several Provinces of the total share allotted to them might be made is explained in detail in the following extract from the Committee's report :—

“ The Indian Income-tax and super-tax (excluding the super-tax on companies) is, like the British income-tax and super-tax, charged on a double basis. It is charged on all income received in British India from whatever source it may be derived, and it is charged on all income arising or accruing in British India, whatever may be the destination.

“ In India, as in the United Kingdom, a large proportion of the yield of the income-tax is realised by the method known as “ collection at the source.” Under this system, the income-tax in respect of certain species of profits and interest is collected at the point where such profits or interest emerge. For instance, a limited company is required to pay income-tax at the maximum rate on the whole of the profits it makes without regard to their ultimate destination, and the burden of the tax is passed on to the shareholder in the shape of a reduced dividend. Similarly, the payer of interest on securities is required to deduct and pay over to the Revenue

income-tax at the maximum rate on such interest. A similar provision exists in India with regard to salaries, subject to the unimportant difference that the rate at which tax is deducted is that appropriate to the estimated total income of the recipient.

“ Where tax has been charged at the source at the maximum rate and the total income of the recipient is such as to entitle him to a lower rate, provision is made for a refund based on the difference between the two rates. Accordingly, all profits from trade, etc., are ultimately taken as part of, and at the rate appropriate to, the total income of the individual to whom they belong. The sole exception to this rule is in the case of such portion of the profits of a limited company as are not distributed, but are placed to reserve. Here there is no single person to whom such profits can be said to belong, and they accordingly remain burdened with the tax at the maximum rate charged on the general profits of the company.

“ It follows from what has been stated above that, in a number of cases, tax will be charged in a province in which a company carries on its business, but actually be borne by a person resident in some other province, and the question then arises in what proportion the income-tax is to be allotted as between the province in which the income arises, and in which the tax is collected in the first instance, and the province in which the recipient of the income who ultimately bears the burden of the tax resides.

“ The problem is not dissimilar in its main aspects from that involved in devising means for the avoidance of double income-tax as between two sovereign States. Both problems arise from the same cause, *viz.*, the existence of a double basis of liability, residence and origin, and if the relative weight to be attached to these two factors could be agreed upon, a theoretical solution of both problems would be easy.

“ The problem has attracted considerable attention lately in Europe and in the United States, and in 1921 the Financial Committee of the League of Nations appointed a panel consisting of Professors Bruins, Einaudi, Seligman and Sir Josiah Stamp to consider and report upon the matter.

“ Their method of attacking the problem was to ascertain, as regards each category of wealth, where the economic allegiance

lay in a preponderating degree, and they reached the following conclusion :—

Category of wealth.	Preponderant element.	
	Origin.	Domicile.
I. Land	x	..
II. (a) Mines, oil-wells, etc.	x	..
II. (b) Commercial establishments	x	..
III. (a) Agricultural implements, machinery flocks and herds.	x	..
III. (b) Money, jewellery, furniture, etc. . . . .	..	x
IV. Vessels	Ax	..
Va. Mortgages	Bx	Cx
Vb. Corporate shares . . . . .	..	x
Vc. Corporate bonds . . . . .	..	x
Vd. Public securities . . . . .	..	x
Ve. General credits . . . . .	..	x
VI. Professional earnings . . . . .	..	x

(A) Country in which registered.

(B) Where the taxation of property is in question.

(C) Where the taxation of income is in question.

“ They made no attempt to make an exact apportionment of the economic allegiance as regards each category of wealth and their views on this point are expressed in the following terms :
“ To allocate the exact proportion of economic allegiance to origin or domicile in each particular category is well-nigh impossible. Such an attempt would savour too much of the arbitrary.”

“ In fact, owing to the practical difficulty involved in the distribution of the income-tax between the country of origin and the country of domicile, the four economists came to the conclusion that “ on the subject of income-taxation in its developed form, the reciprocal exemption of the non-resident is the most desirable practical method of avoiding the evils of double taxation and should be adopted wherever countries feel in a position to do so.”

74. The Committee made several attempts to devise a scheme based on the classification referred to above, but they found it impossible to apply these principles to the peculiar conditions of India and they finally

came to the conclusion that the only possible method was to base the distribution primarily on the principle of domicile, which also underlies the final conclusion of the four economists. The Committee's recommendations briefly were —

(a) The Provinces should be given the proceeds of a basic rate on personal incomes graduated proportionately to the general rate. For this purpose the basis of calculation would be the personal returns submitted under section 22 (2) of the Indian Income-tax Act, which provides for a statement of the income derived by the assessee from all sources, including dividends from companies wherever situated.

(b) In partial recognition of the principle of origin, each Province should be given a small portion of the receipts of the corporation profits tax.

75. Under the scheme proposed by the Committee, the Government of India would get—

(a) the whole of the collections on incomes that do not appertain to residents in particular Provinces, such as the tax on undistributed dividends of companies,

(b) the tax on incomes of persons resident abroad or resident in places outside the boundaries of the Provinces, and

(c) the whole of the super-tax.

76. The object which the Committee had in view in suggesting the assignment of the proceeds of a graduated rate on personal incomes was to give each Province an amount varying with the taxable capacity of the inhabitants of that Province. The Taxation Committee's scheme seems to be theoretically sound, but a graduated basic rate would be inconvenient in practice, especially if the Government of India decided to adopt some other system of graduation. Nor would it be worth while, either from the Provincial or Imperial point of view, to graduate the rate with reference to taxable capacity so long as the Provincial Governments were not given the power to alter the rates. It would seem that a flat rate on the total assessable personal incomes would be simpler and more convenient, since the Provincial share under this formula would be quite independent of the system of graduation adopted by the Government of India. This modification was proposed by the Government of India in their letter to all the Provincial Governments on the recommendations of the Taxation Enquiry Committee. The question was also discussed at the Conferences of Financial Representatives in 1926 and 1927 and most of the Provincial Governments accepted the modified proposal. But it has not been carried into effect since the Provincial Governments could not agree upon the modification of the Meston Settlement of which this proposal was part and the Government of India themselves have no cause to introduce it as an independent measure.

77. *Super-tax on Companies (Corporation Profits tax).*—The second proposal of the Taxation Committee that in partial recognition of the principle of origin a small portion of the receipts of the super-tax on companies or the corporation profits tax should be allotted to the Provinces is open to certain objections, theoretical as well as practical.

- (a) In the first place, the problem which the Committee of the League of Nations had to deal with was in some respects different from that which has to be solved in India. The question which that Committee had to consider was not the division of income-tax between a federal Government and the component States, but the apportionment of income-tax between two sovereign countries. In the case of two independent countries, some weight should probably be given to origin, for every country attempts, by means of protective tariffs, and other means, to develop its industries. It is doubtful whether the same importance should be attached to the principle of origin in considering the question of the division of income-tax between the Provinces in India. To take a concrete case, many of the mining industries and the steel industry are located in the Province of Bihar and Orissa, but the capital of the companies working the mines has been largely supplied by Bombay and Bengal. In the case of the steel industry, a very heavy subsidy is paid by the Government of India, while the other facilities provided by Government are railways, roads, water supply, etc. The railways were, of course, constructed by the Government of India and as regards roads and water supply, the industries pay very heavily in the shape of local taxation. The case for the division of the super-tax on companies among the Provinces is, therefore, not theoretically strong.
- (b) In the second place, the preliminary adjustment of the collections of each Province to meet the case of profits earned in several Provinces but taxed in only one, which is essential for the distribution of the super-tax on companies on an equitable basis, can only be made on assumptions of a hypothetical character. The complexities of the problem can best be illustrated by taking the concrete case of certain types of companies—
 - (i) Take the case of a Railway company which operates over several Provinces and Indian States and is managed from Bombay and financed by British capital. It would be difficult to state definitely where the income of such a company is earned, how it should be distributed among the various Provinces and on what basis the income should be assigned to the managing office in Bombay and to the head office in England.

- (ii) Consider next the case of a big oil company, such as the Burma Oil Company which again is financed largely by British capital and has its head office in England but operates through numerous selling agencies over a large portion of India. It would not be easy in practice to apportion the profits of this company among Burma and the other Provinces where the oil is actually consumed.

It is unnecessary to multiply instances. In the opinion of Sir Josiah Stamp, "the division of profits according to the place of origin presents an almost insoluble problem of accountancy and is, of course, not strictly determinable."

78. The difficulties, however, do not seem to be insuperable and they have been actually overcome in Germany. The problem in India is not as formidable as it was in Germany, for there are at present only about one thousand companies which are subject to this tax and in a very large number of cases the place of collection coincides with the place of earning. The most serious difficulties that stand in the way of such an arrangement would be removed if reasonable agreement could be secured among the Provinces as to the principles of apportionment and a rigid adherence to theoretical principles was not insisted on. In appendix III are given certain instances taken from a report by Messrs. Braithwaite and Minnis of the Board of Inland Revenue illustrating the method by which these difficulties have been overcome in practice in Germany.* From the practical point of view, this tax seems peculiarly suitable for division among the provinces. The proceeds of this tax reflect to a greater extent than the ordinary income-tax the commercial prosperity of the provinces, and Bombay, Bengal and Bihar and Orissa, which are the Provinces that have benefited least by the present settlement, would receive a very large portion of the total amount distributed.

Surcharge on Central taxes.

79. The possibility of the levy of surcharges or *centimes additionnels* arises only in regard to the income-tax, for obviously a surcharge on the customs revenue or salt is impracticable. *Centimes additionnels* on the central income-tax are levied in France, Belgium, Italy and various other European States for local purposes. The possibility of a levy in India was considered by the Taxation Enquiry Committee, who rejected the proposal on the following grounds :—

Possibilities
of surcharges
on central
taxes.

- (1) In their opinion, the system can only be employed successfully where the income-tax machinery is directed to taxing either all revenues at the source or all revenues at the destination of the income and not where a combination of both methods is adopted.

* Pages 327-328 of the Appendix to the Final Report of the Departmental Committee on Local Taxation.

- (2) If Provincial Governments were empowered to determine the rates of a surcharge on the Imperial income-tax, an inevitable result would be a variation in the rates in different Provinces which is to be deprecated in the interests of commerce and industry.

80. It may, however, be argued that in coming to this conclusion the Taxation Enquiry Committee were influenced by certain superficial resemblances between the Indian system and the English system. The objection to the levy of a surcharge on the income-tax collected within a Province is obvious, but in India, under section 22 of the Indian Income-tax Act, every assessee is required to furnish a return of his income from all sources and under section 29 the Income-tax Officer serves a Notice of Demand on each assessee in which his total income estimated according to the Income-tax authorities is given. There can be no theoretical objection to a system of surcharges, provided such surcharges are levied only on personal incomes of residents within the Province and not on the collections within the Province. Nor would a surcharge on such incomes affect commerce or industry.

The principal objection to such surcharges is that they might encroach seriously on the sphere of Central taxation. This objection would be removed if the surcharges were limited to a definite percentage of the rates prescribed by the Government of India.

Redistribution of the Sources of Revenue.

Possibilities
of a redistri-
bution of the
Sources of
Revenue.

81. In the preceding paragraphs the possibility of providing additional income for the Provinces by a division of the existing taxes or by the levy of surcharges on the Central taxes has been discussed. A brief reference may here be made to two Provincial taxes which have not yet been exploited but which are very important sources of income in almost all other civilised countries.

82. A feature which distinguishes the fiscal system of India from that of other countries is the absence of any internal taxation on tobacco and of any universal taxes on inheritance or succession. The question of the taxation on tobacco through a system of excise has been considered on many occasions by the Government of India, but the proposals have been rejected mainly because there was no organised industry to which it could be applied. The position, however, has altered considerably in recent years because a fairly large cigarette industry has now grown up behind the tariff wall. It would be difficult, however, for Provincial Governments in general to levy an excise duty on cigarettes manufactured in factories, for the manufacture is concentrated in two or three centres, and it would be very difficult to levy the tax according to the principle that duty should follow consumption. Owing to the difficulty of tracing consumption, the tax is in most countries a Central source of revenue. It is therefore a point for consideration whether this source of revenue should not be transferred to the Central Government, especially

if some of the Central sources of revenue are to be divided with the Provinces.

83. The question of the levy of death duties in India has been discussed at great length in Chapter XII of the Report of the Indian Taxation Enquiry Committee. Duties on succession are in other countries a common source of Provincial taxation. In the United States of America, both the Federal and the States Governments levy succession duties. In Canada and Switzerland, the Provinces and Cantons alone levy them; while in Australia both the Commonwealth and the States imposed death duties until 1926-27 when it was decided to hand them over wholly to the States. The experience of other countries, therefore, suggests that they are a suitable source of Provincial taxation. There are, however, various reasons which might be urged in favour of making the tax a Central source of revenue. It is closely connected in its nature and administration with the income-tax and, in common with the income-tax, it exhibits the conflict between the claims of origin and residence. In the United States of America a great deal of double taxation has resulted from the fact that the duties levied by the different States are based on different principles. In Switzerland, where most of the cantons impose death duties, it has been found necessary to pass federal legislation to regulate the levy of the tax. In the case of real property, the duty accrues to the canton where it is situated and in the case of personality to the canton where the deceased was domiciled. In India, if death duties were levied, it might probably be necessary to entrust the administration to a Central authority. The Taxation Committee have also recommended that the legislation dealing with the question of death duties should be undertaken by the Central legislature. The question therefore arises whether this tax should not be transferred to the Central Government and the proceeds divided, as in the case of the income-tax, on certain recognised principles. For instance, the death duties on landed property might be assigned to Provinces and those on personality to the Central Government.

Contributions.

84. It has so far been assumed that the distribution of the sources of revenue should be uniform over provinces. Uniformity, however, for reasons which have already been explained in an earlier portion of the Memorandum, does not necessarily lead to equality, though, it may be noted with interest, the principle of uniformity was enunciated by the Government of India in 1904 as a basis of the *quasi*-permanent settlements in order "to ensure a reasonable equality of treatment". In practice, as has already been observed, the inequalities then arising were adjusted partly by varying the shares of the divided heads of revenue and partly by a system of contributions. If a partial reversion to a system of divided heads was considered necessary either on the lines indicated in the preceding paragraphs or on some other basis, it might

Possibilities
of a system
of contri-
butions.

adopted in the former country. In Canada the contributions consist of two parts, viz.:—

- (a) fixed allowances which vary for the different provinces and are calculated on a scale sliding between a minimum and a maximum with reference to the population ; and
- (b) fluctuating allowances calculated on a *per capita* basis of population.

In Anstralia, the Federal Government used to pay until recently contributions to the States on a *per capita* basis of population.

87. From the point of view of the Central Government, a system of fixed contributions seems to offer the advantage of avoiding any subsequent disturbances in the financial dispositions of that Government. From the point of provinces, a system of fixed *plus* fluctuating contributions has the advantages of securing to the provinces a minimum allowance whatever the vicissitudes of the province may be and of holding out a prospect of increased resources which may, according to the basis of calculation, in greater or less degree, be related to increased demands for expenditure. What method is adopted, it will still be for decision whether the conclusions reached should find a place in the rigid portion of the constitution or should be given a more fluid form whether in the statutory rules or otherwise. The advantages of the former method are that any disputes between the Central Government and the Provincial Governments will be obviated and any attempt on the part of the former to utilise the contributions as a means of influencing the policy and administration of the latter outside the provisions of the constitution will be prevented. The advantages of the latter method are the greater facility for amending financial inequalities and adjusting the incidence of the working of the financial settlements as experience proves necessary. The history of the Meston Settlement suggests that any financial settlement may have, in the course of its operation, consequences which could not be foreseen at its inception.

CONCLUSION.

88. This Memorandum is confined to a single problem, viz., the distribution of the existing sources of revenue between the Central Government and the Provincial Governments under the present constitution. It proceeds on the assumption that the method of allocation of revenues to Provincial Governments, on which the Meston Settlement is based, will be maintained ; but the validity of this assumption will depend on certain general considerations which will govern the determining features of the new constitution and which will require separate examination. Its scope is further limited by certain practical considerations such as those indicated in paragraph 53. As has been observed, under the present system it would be difficult to provide the Provinces with additional funds, except by the sacrifice of Central revenues, existing or potential. By a slight re-distribution of the sources of income on the principles indicated in the last portion of the memorandum, it might be

possible to remove some of the more obvious inequalities of the present system and to make the distribution more equitable as between the Provinces. But a revision of the Meston Settlement, even on the lines suggested by the discontented Provinces, would not give these Provinces more than one or two crores of rupees. With the wider and more important problem of finding the colossal sums of money required for universal mass education (estimated at not less than Rs. 60 crores for the whole of India) and for rural development, it is not proposed to deal here, for the question of fiscal development cannot be discussed in isolation. To give an instance, the Taxation Committee have come to the conclusion that the chief impediment in the way of the development of local taxation arises from the fact that the jurisdictions of local authorities in this country are so large as to remove them from effective touch with the taxpayer. The Committee have therefore strongly endorsed, on purely fiscal grounds, the recommendation of the Decentralisation Commission, based on administrative considerations, that the unit of local administration should be the village. It is obvious that questions such as these raise constitutional and administrative issues which cannot be adequately discussed here.

July 1928.

Statement showing the financial position of Provinces.

MADRAS.

Lakhs of Rupees.

Year.	Revenue position.			Debt position.					Closing balance after adjusting capital and miscellaneous transactions.	
				Loans from Government of India or Provincial Loans Fund.						
	Revenue.	Expenditure.	or Surplus + deficit —.	Loans in open market.	Opening balance.	Borrowings.	Repayments.	Closing balance.	Ordinary balance.	Warime Insurance Fund.
1921-22	11,75	12,74	—99	..	9,85	1,11	10	10,90	..	..
1922-23	12,58	12,61	—3	..	10,90	6	14	11,42	3	6
1923-24	12,99	12,63	+36	..	11,42	61	45	11,58	..	13
1924-25	12,79	13,09	—30	..	11,58	1,30	22	12,66	17	14
1925-26	14,71	13,73	+98	..	12,66	89	30	13,25	1,23	21
1926-27	15,18	14,17	+1,01	..	13,25	2,02	34	14,93	2,81	29
1927-28 (revised) . .	16,76	15,58	+1,18	..	14,93	1,60	40	16,13	3,57	37
1928-29 (budget) . .	16,97	16,99	—2	..	16,13	1,45	46	17,12	2,43	44

Statements showing the financial position of the Provinces—contd.

BOMBAY.

Lakhs of Rupees.

Year.	Revenue position.			Debt position.								Closing balance after adjusting capital and miscellaneous transactions.	
				Loans raised in open market.			Loans from the Government of India or Provincial Loans Fund.						
	Revenue.	Expenditure.	Surplus + or deficit —.	Opening balance.	Borrowings.	Closing balance.	Opening balance.	Borrowings.	Repayments.	Closing balance.	Ordinary.	Famine Insurance Fund.	
1921-22 . .	13,11	15,02	—1,01	0,30	..	0,30	12,12	3,80	10	15,82	2,14	..	
1922-23 . .	14,17	13,53	+64	0,30	..	0,30	15,82	7,65	34	23,13	3,73	61	
1923-24 . .	14,52	14,23	+20	0,30	..	0,30	23,13	10,25	20	33,00	4,88	94	
1924-25 . .	14,90	14,72	+27	0,30	..	0,30	33,09	7,05	30	39,84	5,24	1,44	
1925-26 . .	15,24	16,15	—01	0,30	..	0,30	30,84	6,58	75	45,67	5,30	1,95	
1926-27 . .	14,58	16,24	—1,66	0,30	..	0,30	45,67	2,62	70	47,50	2,82	2,42	
1927-28 (revised)	15,53	15,09	—46	0,30	..	0,30	47,50	2,01	80	49,70	74	1,81	
1928-29 (budget)	15,74	16,13	—30	0,30	..	0,30	94,70	4,23	2,67	51,20	7	1,62	

BENGAL.

Lakhs of Rupees.

Year.	Revenue position.			Debt position.					Closing balance after adjusting capital and miscellaneous transactions.	
				Loans raised in open market.	Loans from the Government of India or Provincial Loans Fund.					
	Revenue.	Expenditure.	Surplus + or deficit—.		Opening balance.	Borrowings.	Repayments.	Closing balance.		
1921-22 . . .	8,32	10,48	—2,16	..	1,18	50	..	1,08	65	2
1922-23 . . .	9,85	9,59	+26	..	1,68	52	2	2,18	87	4
1923-24 . . .	10,13	9,78	+35	..	2,18	..	4	2,14	1,24	0
1924-25 . . .	10,34	9,76	+58	..	2,14	..	5	2,00	1,86	8
1925-26 . . .	10,70	10,31	+39	..	2,00	24	5	2,28	2,27	11
1926-27 . . .	10,59	10,71	—21	..	2,28	7	5	2,30	1,86	13
1927-28 (revised)	10,77	11,03	—26	..	2,30	24	6	2,48	1,74	13
1928-29 (budget)	10,93	11,24	—31	..	2,48	30	6	2,81	72	12

Statements showing the financial position of the Provinces—contd.

UNITED PROVINCES.

Lakhs of Rupees

Year.	Revenue position.			Debt position.							Closing balance after adjusting capital and miscellaneous transactions.	
				Loans raised in open market.			Loans from the Government of India or the Provincial Loans Fund.					
	Revenue.	Expenditure.	Surplus + or deficit —.	Opening balance.	Borrowings.	Closing balance.	Opening balance.	Borrowings.	Repayments.	Closing balance.	Ordinary balance.	Insurance Fund
1921-22 . .	10,02	11,49	—1,47	..	4,19	4,19	15,16	23	48	14,91	2,70	32
1922-23 . .	10,06	10,71	—65	4,19	1	4,20	14,91	..	25	14,66	88	58
1923-24 . .	10,31	10,47	—16	4,20	..	4,20	14,66	1,04	25	15,45	54	90
1924-25 . .	10,00	10,43	—43	4,20	..	4,20	15,45	1,48	25	16,68	26	49
1925-26 . .	10,87	11,18	—31	4,20	..	4,20	16,68	2,00	25	18,43	22	30
1926-27 . .	11,39	11,34	+5	4,20	..	4,20	18,43	2,27	26	20,44	..	20
1927-28 (revised).	12,83	11,71	+1,12	4,20	..	4,20	20,44	1,94	92	21,46	21	6
1928-29 (budget)	12,47	11,92	+55	4,20	..	4,20	21,46	2,25	27	23,44	23	20

PUNJAB.

Lakhs of Rupees.

Year.	Revenue position.			Debt position.							Closing balance after adjusting capital and miscellaneous transactions.	
				Loans raised in open market.			Loans from the Government of India or Provincial Loans Fund.					
	Revenue.	Expenditure.	Surplus + or deficit —.	Opening balance.	Borrowings.	Closing balance.	Opening balance.	Borrowings.	Repayments.	Closing balance.	Ordinary balance.	Famine Insurance Fund.
1921-22 . .	7,10	8,81	—1,71	..	..	..	21,86	1,00	..	22,86	..	..
1922-23 . .	8,28	8,85	—57	..	..	..	22,87	1,32	..	24,19	..	4
1923-24 . .	9,16	8,04	+1,12	..	192	1,92	24,19	..	1,00	23,19	64	8
1924-25 . .	9,78	7,95	+1,83	1,92	..	1,92	23,19	..	1	23,18	1,30	11
1925-26 . .	11,52	9,94	+1,58	1,92	73 16	2,65	23,18	..	1	23,17	2,54	14
1926-27 . .	10,86	11,47	—61	2,65	{ —1	2,80	23,16	..	1	23,15	1,45	14
1927-28 (revised).	12,42	12,07	+35	2,80	..	2,80	23,15	30	1	23,44	1,31	18
1928-29 (budget)	12,78	12,77	—4	2,80	..	2,80	23,44	40	2	23,82	89	20

Statements showing the financial position of the Provinces—contd.

BURMA.

Lakhs of Rupees.

Year.	Revenue position.			Debt position.				Closing balance after adjusting capital and miscellaneous transactions.		
				Loans raised in open market.	Loans from the Government of India or the Provincial Loans Fund.					
	Revenue.	Expenditure.	or + —		Opening balance.	Borrowings.	Repayments.	Closing balance.	Ordinary balance.	Famine Insurance Fund.
1921-22 . . .	0.18	0.0	+14	Nil.	..	..	..	..	5.84	1
1922-23 . . .	8.08	10.24	—1.56		..	..	..	..	3.07	1
1923-24 . . .	8.58	8.85	—27		..	..	..	..	3.03	1
1924-25 . . .	0.80	0.87	—1		..	..	..	..	2.78	1
1925-26 . . .	10.19	10.80	—01		..	..	..	..	2.41	2
1926-27 . . .	10.00	11.42	—1.36		..	..	..	..	1.04	3
1927-28 (revised) .	10.34	12.10	—1.76		..	85	..	85	0	3
1928-29 (budget) .	10.73	11.78	—1.05		85	1,50	2	2,33	13	4

BIHAR AND ORISSA.

Lakhs of Rupees.

Year.	Revenue position.			Debt position.				Closing balance after adjusting capital and miscellaneous transactions.		
				Loans from open market.	Loans from the Government of India or the Provincial Loans Fund.					
	Revenue.	Expenditure.	Surplus + or deficit —.		Opening balance.	Borrowings.	Repayments.	Closing balance.	Ordinary balance.	Famine Insurance Fund.
1921-22 . . .	4.43	4.58	—15	..	0.60	..	5	0.04	85	8
1922-23 . . .	4.04	4.03	+31	..	0.61	20	5	0.70	1.21	22
1923-24 . . .	5.28	4.84	+44	..	0.70	7	5	0.31	1.43	33
1924-25 . . .	5.36	5.13	+23	..	0.81	5	5	0.81	1.01	41
1925-26 . . .	5.70	5.55	+24	..	0.81	..	25	0.50	1.08	56
1926-27 . . .	5.74	0.05	—31	..	0.50	..	7	0.40	1.28	05
1927-28 (revised)	5.05	5.94	—20	..	0.40	..	7	0.42	07	00
1928-29 (budget)	5.74	5.88	—14	..	0.42	..	8	0.34	75	76

Statements showing the financial position of the Provinces—conold.

CENTRAL PROVINCES.

Lakhs of Rupees.

Year.	Revenue position.			Debt position.					Closing balance after adjusting capital and miscellaneous transactions.	
				Loans in open market.	Loans from the Government of India or the Provincial Loans Fund.					
	Revenue.	Expenditure.	Surplus + or deficit —.		Opening balance.	Borrowings.	Repayments.	Closing balance.	Famine Insurance Fund.	
1921-22 . . .	4,72	4,95	—23	..	4,64	47	4	5,07	..	..
1922-23 . . .	5,16	4,90	+26	..	5,07	29	43	4,93	47	31
1923-24 . . .	5,17	4,94	+23	..	4,93	31	6	5,18	1,00	72
1924-25 . . .	5,25	4,88	+37	..	5,18	26	28	5,16	1,31	1,14
1925-26 . . .	5,35	5,33	+2	..	5,16	13	25	5,04	78	1,51
1926-27 . . .	5,07	5,74	—07	..	5,04	32	8	5,28	..	1,87
1927-28 (revised) .	5,47	5,39	+8	..	5,28	82	12	5,98	47	1,79
1928-29 (budget) .	5,54	5,68	—14	..	5,98	32	10	6,20	15	1,72

ASSAM.

Lakhs of Rupees.

Year.	Revenue position.			Debt position.				Closing balance after adjusting capital and miscellaneous transactions.		
				Loans raised in open market.	Loans from the Government of India or the Provincial Loans Fund.					
	Revenue.	Expenditure.	Surplus + or deficit —.		Opening balance.	Borrowings.	Repayments.	Closing balance.	Ordinary balance.	Finance Insurance Fund.
1921-22	1,82	2,05	—23	Nil.	..	..	..	..	7	..
1922-23	1,84	2,05	—21		..	13	..	13	..	..
1923-24	2,11	1,90	+21		13	..	..	13	23	..
1924-25	2,30	2,00	+30		13	..	13	..	44	..
1925-26	2,50	2,28	+22		..	..	..	..	64	1
1926-27	2,43	2,43	..		..	..	..	..	63	1
1927-28 (revised) .	2,63	2,58	+10		..	..	..	..	67	1
1928-29 (budget) .	2,78	2,82	—4		..	..	..	..	49	1

APPENDIX I.

SWITZERLAND.*

1. The Swiss federation may be taken as representing one extreme, that is to say, a federation of states of markedly independent characteristics which existed as independent authorities long before they joined in the federation. Not only were the cantons organized political bodies, but in some cases at least the communes, which compose the cantons, had also independent existence and did not derive their authority from the latter. These factors have led to an emphasis of the importance of the cantons, which view with considerable jealousy any attempt on the part of the Federation to encroach upon the sphere of the cantons.

2. Under the Swiss constitution, the Federal Government is entitled to the revenue from the following sources :—

- (1) Federal property.
- (2) Customs.
- (3) Posts and Telegraphs.
- (4) The powder monopoly.
- (5) Half of the gross receipts from the tax levied by the cantons in return for exemptions from Military service.
- (6) Contributions by the cantons to the Federal Government.

Before the War the revenues of the Federation, which were about one hundred million francs, were derived mostly from State property and customs duties and there was very little income from direct taxation. The revenue of the cantons, which amounted to more than two hundred million francs, was mostly derived from the following taxes :—

- (1) Income-tax, property tax and personal taxes.
- (2) Death duties and succession taxes.
- (3) Stamps.
- (4) Various forms of indirect taxes such as taxes on carriages, automobiles, etc.

The cantons also received 12 million francs as their share of federal taxes and about 24 millions in subventions from the Federal Exchequer.

3. Under section 42 of the Swiss constitution, in times of emergency the cantons are required to contribute to the expenses of the Federation according to a prescribed scale, but in practice no such contributions have been paid. When the Federal Government was faced with heavy expenditure for mobilization in connection with the outbreak of the War, it imposed temporary war taxation on property and income to be

* The account of the fiscal system of these federations is largely based on—

- (1) a note prepared for the Taxation Committee,
- (2) Newton's Federal and Unified Constitutions and
- (3) Official Year Books of Canada, Australia and S. Africa.

levied by the cantons, which retained a share of the proceeds and paid the balance into the Federal treasury. When the measure was introduced, it was explained that, though, under the constitution, the proper course was to levy contributions on the cantons, it would be entirely contrary to the custom of the constitution to make such a levy, since the tendency had been for the Federal Government to give contributions to the cantons and the finances of the latter would be dislocated if they made contributions. Consequently the constitution was amended and a direct federal war tax was levied. As the War went on, a war-profits tax was introduced, then a second levy of war tax and finally an increase in stamp duties and customs. In 1924, the Federal revenues amounted to 350 million francs, of which 268 millions represented taxation. The total revenues of the cantons amounted in that year to 510 million francs, distributed as follows:—

	<i>Million francs.</i>
(1) Cantonal direct taxation and death duties	198
(2) Stamps, licenses and permits	39
(3) Share of federal taxes	26

The balance consisted of ordinary and extra-ordinary subventions and income from property. The cantons and the Federation now share the income from military taxes, patent fees, the alcohol monopoly, the profits from the National Bank, the stamp duties and, to a certain extent, the yield of the War taxes.

Certain functions are imposed upon the cantons by law, but their discharge is conditional upon the grant of subsidies by the Federation. Subsidies are also utilized for co-ordinating the activities of the Federation and the cantons in certain matters. The total subsidies from the Federation to the cantons amounted to 24.2 million francs in 1913 and to 57.5 million francs in 1927.*

It will thus be observed that the system of subsidies is a prominent feature of Swiss financial arrangements. There appear to be no general subsidies and the normal subsidies are all for specific objects such as roads, forestry, agriculture, public health, education, etc. The extraordinary subsidies were chiefly for measures of unemployment relief and reduction in the cost of living. It does not, however, appear that the subsidies have been used as a balancing factor between the Federal and cantonal finances.

THE GERMAN EMPIRE.

4. Prior to the adoption of the constitution of 1871, various forms of federation had been in force in Germany. The main conditions under which this constitution was framed were the preponderant position

* Memorandum on Public Finance 1922-26—League of Nations.

of Russia and the unifying influence of the Zollverein or Customs Union. The provisions of the 1871 constitution, which relate to taxation, were as follows :—

Among the affairs which were subject to the superintendence and legislation of the Empire were customs and commercial legislation, taxes which were to be applied to the requirements of the Empire, banking and overseas trade. In section 33, it was provided that Germany should form one commercial territory encircled by a common frontier. Articles of free trade in one of the States might be introduced into any other State and could only be subjected to a duty in the latter when and to the same extent as similar articles produced in that State were subject to a home duty. Section 35 gave the Empire the sole right of legislation in all customs affairs, in the taxation of salt and tobacco, beer, spirits and sugar. These taxes were to be collected and administered by the States, but the revenue from them went into the Imperial treasury subject to a deduction for the cost of collection.

5. In the nineties, the German States adopted the income-tax and a little later, they also adopted inheritance taxes levied at progressive rates. At this stage, the Federal Government did not levy direct taxation, but derived its revenue from the taxes which have already been specified. As this revenue was not sufficient for the needs of the Federal authority, it was provided that the balance should be met by contributions from the States. After 1879, the increase in the customs duties provided the Empire with more money than it needed, but, largely for political reasons, the contributions were not abolished. Instead, a complicated arrangement was adopted by which the surplus of certain revenues was allotted to the States. The contributions were set off against them, and any surplus of allotments over contribution was paid to the States.

6. In the early years of the twentieth century, the increasing needs of the Imperial Government led to the adoption of a number of new Federal taxes, on consumption and transactions, and in 1906, a federal inheritance tax was introduced. The tax was actually levied by the States subject to the Federal law governing double taxation. Two-thirds of the yield of the inheritance tax was to go to the Empire and one-third to the several States, which were now to abandon their own inheritance taxes. A few years later, the expenditure on the navy necessitated a readjustment of the system and it became necessary to raise additional federal revenue to the extent of 500,000,000 marks a year. It was originally proposed to raise 400,000,000 marks by indirect taxation and the balance from an increase in the rates or scope of the inheritance tax. But ultimately, 475,000,000 marks were raised from taxes on consumption and on transactions, and 25,000,000 by a slight increase in the contributions and by the assignment to the Empire of three-fourths instead of two-thirds of the existing inheritance tax. This system remained in force until the outbreak of the War. In 1913, an Imperial income-tax was levied for the first time, but not as an annual

tax. The fact that there was no Imperial income-tax caused considerable inconvenience during the War.

7. The revolution of November 1918 brought about the framing of a new constitution, of which the principal provisions relating to taxation are as follows :—

* The Federal Government has sole legislative power in the matter of customs and as regards both uniformity in the sphere of customs and trade and freedom of commercial intercourse. Under article 8, the Federal Government is given legislative power as regards taxes and other sources of revenue so far as they are claimed, wholly or in part, for federal purposes. Where the Federal Government demands taxes or other sources of revenue hitherto appertaining to the various States, it must take into consideration the maintenance of the vitality of those States. Under article 11, the Federal Government is given power to draw up regulations as to the admissibility and mode of collection of State taxes in so far as they are required for the purpose of preventing—

- (1) loss of revenue or action prejudicial to the commercial relations of the Federation,
- (2) double taxation,
- (3) the imposition of charges for the use of the public lines of communication which constitute a hindrance to traffic,
- (4) the grant of bounties on exportation, or
- (5) assessments prejudicial to imported goods as opposed to home products in dealing between the separate States.

8. In article 82, the provisions of article 33 of the 1871 constitution are reproduced, and article 83 provides that customs duties upon articles of consumption should be administered by the Federal authorities. Article 84 allows the Federal Government to pass laws regarding the organisation of the administration of the taxes in the States so far as is required for the purposes of uniform and equal execution of the Federal laws of taxation. The 1919 constitution gave the Federation full financial hegemony and entitled it to impose taxes without restriction. Instead of contributions from the individual States to the Empire, the Federation has now the power to permit the States to share in the yield from certain taxes and to give various grants-in-aid to them.

9. The actual distribution of the principal heads of taxation in force in 1924 was as follows :—

The federation levied and appropriated exclusively the following rates: Tax on capital, capital increment tax, inheritance tax, tax on debentures, company flotations, stock-exchange turn-over, director's fees, bills of exchange and transport, lottery tax, insurance tax, consumption tax on sugar, salt, tobacco, beer, wine, lighting materials, playing cards and acetic acid, import and export taxes, and monopolies. The income-

* Neaton's Federal and Unified Constitutions.

tax and corporation tax were divided between the Federation and the States in the proportion of 10 per cent. to the former and 90 per cent. to the latter, while the turn-over tax was also divided in the proportion of 80 per cent. to the Federation and 20 per cent. to the States. The States took the whole yield of the tax on landed property and buildings, taxes on carriages and motor cars, betting taxes, bourse tax and stamp duties.

10. In 1922-23, the proceeds of the taxes which were divided amounted to almost exactly half of the total revenue. The fractions of the divided taxes are not laid down by law, but are liable to variation. The change to the new system encountered considerable opposition from the States, and it was only the serious financial difficulties of the Republic that secured acquiescence. In August 1925, a revision of the arrangements was carried out, as a result of which the States obtain 75 per cent. of the yield of the income and property taxes, and 25 per cent. of that of the turn-over tax. A minimum assignment to the States is guaranteed, and if the prescribed fractions of the divided taxes do not yield the minimum, the Federal Government makes up the required amount. For the present, the guaranteed minimum is M. 2,100 million, which is almost exactly one-third of the Federal tax-revenue.

The financial power of the Reich is thus unlimited. The States have only those financial resources which the Reich allows to them and any source of state revenue already existing may be abolished or appropriated by the Reich, subject only to the condition contained in article 8 of the Constitution which reads—

“Should the Reich appropriate to itself any taxes or other revenues, which have hitherto belonged to the States, it shall take into consideration the necessity of ensuring to the States their means of existence.”

UNITED STATES OF AMERICA.

11. The United States of America furnish another example of the type of federation whose constituent states enjoy a large measure of fiscal and political independence. The provisions of the original constitution which bear upon taxation are briefly as follows*—

- (1) All direct taxes shall be apportioned among the several States according to their respective numbers to be determined in the manner prescribed in the section. (Article 1, Section II.)
- (2) The Congress may levy and collect taxes, duties, imposts and excises to pay the debts and to provide for the common defence and general welfare of the United States but all such duties, imposts and excises shall be uniform through-

* Newton's Federal and Unified Constitutions, pages 80—90.

out the United States. The Congress also shall have power to regulate commerce with foreign nations and among the several States.

- (3) No capitation or other direct tax shall be levied "unless in proportion to the census or enumeration hereinbefore directed to be taken." (Section IX.)
- (4) No tax or duty shall be levied on articles exported from any State. (Section IX.)
- (5) No preference shall be given by any regulation to commerce and revenue of one State over those of another. (Section IX.)
- (6) No State shall, without the consent of the Congress, levy any imposts or duties on imports or exports except what may be absolutely necessary for executing its inspection laws; and the net proceeds of all duties and imposts allowed by any State on imports or exports shall be for the use of the treasury of the United States and all such laws shall be subject to revision and control of the Congress. (Section X.)
- (7) "Powers (including of course those of taxation) not delegated to the United States by constitution nor prohibited by it to the States are reserved to the States respectively or to the people."

12. These provisions led in practice to the result that the Federal Government only was in a position to levy taxes on consumption while the States were given the exclusive right of levying direct taxation, using the word "direct" as understood in America. The States could in theory levy indirect taxes or excises but could not in practice do so, since, under the constitution, all the States would have to levy the same duty. Again it was open to the Federal Government to levy an income-tax if that was held to be a direct tax, but it must be apportioned in the manner prescribed and the consequent inequality of taxation between persons with the same income in different States rendered the tax impossible. An Income-tax Act was passed by the Federal Government during the Civil War and the income-tax was then held to be not a direct tax, but when a similar tax was introduced in 1885, the Supreme Court declared it unconstitutional as a direct tax. The distribution of taxation in the United States until about 1913 was briefly as follows:—

- (a) The Federal Government raised the whole of its revenue from customs duties and internal revenue. The latter head consisted mainly of excises on articles of consumption, but it also included succession duties (which, according to American law, are not classed as direct taxes) and certain taxes on transactions.
- (b) The States relied for their revenue on the general property tax, inheritance duties and taxes on corporations and also

derived a small income from liquor and other licenses and a poll tax. In some States income-taxes were also in force.

The defects of the general property tax and the difficulties in connection with the State income-taxes led to a movement for the imposition of a Federal income-tax. In 1913, the sixteenth amendment of the constitution was adopted, which ran as follows :—

“ The Congress shall have power to levy and collect taxes on incomes from whatever source derived without apportionment among the several States and without regard to any census or enumeration.”

After the adoption of this amendment, a Federal income-tax was introduced and large sums were raised by it during and after the War. According to the Estimates for 1928, the Federal revenue from different taxes is as follows :—

	Million dollars.
Customs	601·8
Internal revenue including excises and succession duties . . .	569·0
Income-tax	2,090·0

Subventions and grants are paid by the Federal Government to the States for specified purposes.

CANADA.

13. The form of the Canadian Federation was very definitely influenced by the conditions under which it arose. The legislative union of Upper and Lower Canada involved such rivalry between the two sections of the province that a unitary government was impossible, and its replacement by a federal union was seen to be the inevitable solution of the problem of Canadian government. At the same time, the other colonies in British North America were anxious for a form of union which would lead to greater strength. The whole movement was profoundly influenced by the American Civil War which was then proceeding, and threatened, on the one hand, war between the United Kingdom and the United States of America and on the other brought into relief those features of the Constitution of the United States which had led to the struggle. Sir J. A. Macdonald, one of the principal advocates of the union, indicated his preference for a legislative union, and although the disinclination of the Colonies to lose their individuality prevented this solution, the form which the British North America Act ultimately took, emphasised the predominant position of the Dominion Government as against the provinces. Consequently, the Constitution proceeds on the basis of defining the sphere of the provincial

Governments and leaving the residuary power to the Dominion Government. So far as this principle affects the division of taxation, the result is as follows :—

Under section 92 of the Constitution, the following among other subjects are assigned to the provinces :—

- (1) Direct taxation within the province for provincial purposes,
- (2) Public land belonging to the province,
- (3) Prisons and hospitals,
- (4) Municipal institutions,
- (5) Licenses for the purpose of revenue,
- (6) Local works, and
- (7) Administration of justice (but not criminal procedure).

The central Government may raise money by any mode of taxation, and may tax the same subjects as the provinces, though it does not appear to have done so. The regulation of trade and commerce is reserved exclusively to the federation.

14. At the time of federation, the central Government took the customs and excise duties, while provincial lands and mines were assigned to the Provinces in which they were situated. The Provincial debts were assumed by the Central Government. Provision was made, however, for a yearly subsidy from the central Government, partly on the basis of population. These subsidies were revised by the Act of 1907, under which each Provincial Government now receives—

- (a) a fixed grant according to population, and
- (b) a grant at the rate of 80 cents. per head of the population up to $7\frac{1}{2}$ millions and at the rate of 60 cents. per head of so much of the population as exceeds that number.*

15. Until the Great War, the customs and excise duties constituted the chief source of revenue of the Dominion Government for general purposes. During the War, the Federal Government resorted to direct taxation—a power which it had always possessed but had not hitherto had occasion to use. In 1916, a business profits war tax was imposed, in 1917 an income-tax and in 1920 a sales tax. The relative financial position of the Federal Government and the Provinces in 1925 was as follows :—

DOMINION GOVERNMENT.										Million dollars.
Customs	.	.	.	.	.	.	.	.	.	108 0
Excise	.	.	.	.	.	.	.	.	.	38·6
War Tax Revenue (<i>i.e.</i> , sales, etc., taxes)	.	.	.	.	.	.	.	.	.	147·0
Post Office	.	.	.	.	.	.	.	.	.	25·8
Other sources	.	.	.	.	.	.	.	.	.	29·0
										<hr/> 351·4

* Page 774, The Canadian Year Book for 1926.

ALL PROVINCES.

	Million dollars.
Fees	5.2
Subsidies	13.7
Lands, Mines and Forests	16.7
Succession duties	10.8
Corporations Taxes	26.2
Licenses	27.8
Other items	32.0
TOTAL	132.4*

AUSTRALIA.

16. The Commonwealth of Australia is the second oldest federation in the British Empire and is a type of union very different from that of Canada. In introducing the Commonwealth of Australia Bill in Parliament, Mr. Joseph Chamberlain, after pointing out that the Bill would give the six colonies a common tariff, common communications and a common form of national defence, went on to say that the constitution was modelled on that of the United States of America. The separate colonies had enjoyed for so long such great powers that they were naturally unwilling to part with them to any large extent. The federation created was for distinctly definite and limited objects and State rights had throughout been jealously preserved.

Under sections 106 and 107 of the Constitution, powers enjoyed by States are held to continue unless exclusively vested in the Commonwealth Parliament or withdrawn from the State Parliament by the terms of the Constitution. The only powers affecting taxation which are exclusively vested in the Commonwealth are the powers of levying duties of customs and excise. Under section 51, the Commonwealth is given power to legislate with respect to trade and commerce or to taxation, but so as not to discriminate between States; and to give bounties on production or export under the same proviso. This however does not impair the States' power of legislation on these subjects, though under section 109, when a State law is inconsistent with a Commonwealth law, the latter prevails.

17. The distribution of taxes between the Commonwealth and the States was as follows in 1924-25 :—

	COMMONWEALTH.	£
Customs		26,405,161
Excise		10,787,620
Land Tax		2,519,711
Estate Duty		1,381,051
Income-Tax		11,136,344
Entertainments Tax		680,586
War Time Profits Tax		74,784
	ALL STATES.	
Probate and succession		2,767,987
Other stamp duties		3,688,165
Land Tax		1,300,374
Income Tax		12,014,662
Licenses		842,872
Other Taxation		1,055,977

18. It will be noticed (1) that all the direct taxes were levied both by the Commonwealth and the States, and (2) that with the possible exception of stamp duties, all indirect taxation was taken by the Commonwealth.

The rates of succession duties and income-tax differed widely in the different States. It would seem that the division of resources, as between the Commonwealth and the States, had not worked out satisfactorily. In 1923 a conference was held between the Commonwealth and State Ministers with the object of terminating the subsidy system and of simplifying the taxation systems. The first proposal was to divide the field of income-tax, the Commonwealth vacating the field of taxation of incomes below £2,000 and discontinuing the payment of subsidies. This was not accepted by the States, who wished to appropriate the whole of the income-tax. Ultimately, the majority of the States accepted a modified scheme according to which the Commonwealth retained only the right to tax companies up to a maximum limit of 2s. 6d. in the pound. Pending the introduction of the scheme, it was arranged that the State taxation officers should collect both the State and Federal income-taxes, except where the income is derived from more than one State.

In accordance with this arrangement, by the end of June 1924, a system was inaugurated under which the Commonwealth Central Taxation Office assessed Commonwealth income-tax on all tax-payers whose income was derived from more than one State, while in New South Wales, Victoria, South Australia, Queensland and Tasmania, the State Commissioner of Taxation, who is also Federal Deputy Commissioner, assessed both the Commonwealth and State income-taxes. In Western Australia, the Federal and State Taxation Departments had been amalgamated in 1924.

In 1926-27, a new arrangement for the division of the proceeds of direct taxation between the Commonwealth and the States came into force.

The proceeds of the direct taxes collected by the Commonwealth during 1926-27 were divided as follows between the Federal Government and the States :—

£(000's omitted.)

	Total.	Commonwealth.	States.
Land tax	2,311	200	2,111
Income-tax	10,506	6,450	4,056
Estate duty	1,350	50	1,300
Entertainment tax	370	50	320
	14,537	6,750	7,787

The amount of £100,000 allotted in 1926-27 to the Commonwealth from the proceeds of the Estate duty and entertainments tax consisted entirely of arrears of assessment for the previous year. The proceeds of these two taxes were to be handed over to the States from 1926-27.

19. The Australian system of taxation has two special points of interest. The first is that in the sphere of direct taxation no attempt is made to separate the sources of taxation. The proceeds of the income-tax, and land tax are divided between the Commonwealth and the States.

The other feature is the system of subsidies. In the original Constitution, under the "Braddon Clause" (section 87) the subsidies took the form of an allotment to the States of three quarters of the customs and excise duties. This arrangement terminated in 1910-11. It was found that the absence of responsibility on the part of the States for raising the money was unsatisfactory and the arrangement was therefore, replaced by a system of *per capita* subsidies paid out of surplus revenue. But this system too has been found to be defective and one of the reasons for the proposals to divide the field of income-tax between the Commonwealth and the States was the desire to get rid of the contribution system.

These *per capita* payments have been abolished as from 30th June 1927 under the States Grant Act passed in that year. It was also agreed that subject to ratification by the Commonwealth and State Parliaments, the Commonwealth should take over all State debts existing on 30th June 1927, pay £7·6 million for 58 years towards interest charges thereon and make substantial contributions towards a sinking fund to extinguish existing debts in 58 years and future debts in 53 years.

SOUTH AFRICA.

20. In the latest combined Government under the Crown, the Union of South Africa, the functions of the provinces are more circumscribed than those of the Australian Colonies. These organisations have no parliaments, only provincial Councils, and they pass ordinances, not laws. Under the British South Africa Act, 1909, the provincial Councils have the following main legislative powers:—

Direct taxation for provincial purposes.

Education, other than higher education.

Agriculture.

Hospitals.

Municipal institutions.

Local works, other than railways and harbours.

Markets and pounds.

Game preservations.

Up to the year 1913, the provinces had no revenues of their own and their expenditure was met by subsidies from the Union Government. By the Financial Relations Act 10 of 1913, the following sources of revenue were transferred, with powers of legislation, to the provinces; hospital and education fees, totalizator duties, auctions dues, dog, game and profession licenses and liquor licenses. Subsequent Financial Relations Acts have transferred, among other matters, the following: libraries and museums, poor relief, shop hours, licensing of vehicles on provincial roads, betting, racing and amusements. The total revenue of all the provinces in 1922-23, excluding subsidies was £3,561,443, while the subsidies amounted to £4,167,266. The revenue of the Union in the same year was £27,234,515.

21. The taxation revenue of the provinces is derived from a number of simple direct taxes. Those common to all provinces are:—

Transfer duty—a tax on sales of real property, liquor licenses, licenses—general and entertainment tax.

Those found in one or other of the provinces are:—

Native pass fees, totalizator tax, auction dues, poll tax, wheel tax and companies tax.

All the main taxes such as customs, excise, income-tax, state and succession taxes, stamp duties, licenses and native taxes and land revenue are levied by the Union.

22. The subsidy system in South Africa appears to have led to inefficiency in the administration. The first settlement, that of 1913, proceeded on the basis of allotting certain revenues to the provinces and of making a grant equal to one-half of the normal expenditure. A committee, which was appointed in 1922, reported that the payment of subsidies on this basis was unsound, and in particular, had led to an unnecessary increase of expenditure on education, that taxes in the shape of auction dues, poll tax, trade and occupation licenses, company tax and employer's tax were suitable for the provinces, which should also be given complete control of transfer duties, liquor licenses, motor taxes, wheel taxes, totalizator and betting taxes and the immovable property tax. The Committee further recommended that the Union subsidy should take the form of a grant-in-aid for education, fixed according to the number of pupils and that trade and occupation licenses should be uniform throughout the Union.

23. In 1925 an Act was passed to regulate the financial relations between the Union and the constituent Provinces. The principal features of this Act (No. XLVI of 1925) are as follows:—

- (1) The subsidies to the Provinces for educational purposes will be fixed according to the number of pupils attending schools established by the Province and will be paid on the basis of the educational statistics for the preceding year. The Governor-General has power to make regulations governing

the payment of these grants and the method to be employed in preparing the educational statistics on which the grants are based.

- (2) The conditions subject to which loans may be given to the Province or Provinces may be allowed to borrow in the market were laid down.
- (3) The revenues from the following taxes, fees, dues and licenses were definitely assigned to the Provinces :—
 - (a) Hospital fees.
 - (b) Licenses for dogs, motors, etc.
 - (c) Tax on vehicles.
 - (d) Amusement or Entertainment tax.
 - (e) Auction duties.
 - (f) Licensing of totalizators and other taxes on betting.
 - (g) Taxes on persons other than companies and on the incomes of persons other than companies, subject to certain limits specified in the Act.
 - (h) A tax on companies other than mutual life insurance companies subject to certain limits specified in the Act.
 - (i) A tax on the ownership of immovable property but not on transfers or sales thereof.
 - (j) Licenses in respect of the importation for sale within the Province of goods from beyond the borders of the Union.
 - (k) Receipts of a miscellaneous nature connected with matters entrusted to the Province.

APPENDIX II.

CORRESPONDENCE WITH THE PROVINCIAL GOVERNMENTS REGARDING READJUSTMENTS WITHIN THE MESTON SETTLEMENT.

LETTER FROM THE GOVERNMENT OF INDIA, TO ALL PROVINCIAL GOVERNMENTS, F. NO. 116 (V) F./26, DATED SIMLA, THE 13TH AUGUST 1926.

SUBJECT.—*Report of the Indian Taxation Enquiry Committee in its relations to the Meston Settlement.*

I am directed to address you on the subject of the distribution of taxes between the Central Government and the Provincial Governments, which has been discussed by the Indian Taxation Enquiry Committee in Chapter XVI of their Report. In paragraph 6 of their Resolution

No. 1412-F., dated the 26th May 1924, announcing the terms of reference to the Committee, the Government of India stated that it would be no part of the duties of the Committee to consider the equity of the Meston Award, and that they should merely indicate the theoretically correct distribution of taxes between Imperial, Provincial and Local. The Committee have traced the principles underlying the systems of federal taxation in other countries and specified the taxes which, in their opinion, should appropriately be allocated to the Imperial or the Provincial Governments, as the case may be, and also those which might be regarded as affording possible balancing factors for establishing financial equilibrium in giving effect to any scheme of redistribution. They consider that a division of the income-tax is unavoidable, if the distribution of the taxes is to be fair to industrial and agricultural provinces alike, and that, if equilibrium can be secured by this means alone, it is undesirable to use any other balancing factors. Their final recommendations reduce themselves to :—

- (a) the transfer of non-judicial stamps, excise duty on country made "foreign" liquor and possibly the revenue now derived from excise opium to the Imperial Government, and
- (b) the establishment of equilibrium by the transfer to the provinces of a share of the income-tax.

2. The Government of India recognised clearly at the very outset that any reform in the taxation system would inevitably involve at least a partial revision of the Meston Settlement, but it was obviously undesirable to include within the scope of the Committee's enquiry a highly controversial problem the ultimate solution of which, whatever the theoretical merits of any particular scheme, could only rest, in the absence of intervention by higher authority, upon an agreement acceptable to the Government of India and the Provincial Governments. I am now to indicate the provisional views of the Government of India on the subject, which should be regarded as purely tentative and intended merely to facilitate discussion. It is proposed to discuss the matter at the Conference of Financial Representatives to be held in November next, by which time, it is hoped, the Provincial Governments will have come to some more or less definite conclusions.

3. I am to make it quite clear at the very beginning that, in considering the application of any scheme of division of taxes, the Government of India propose to take as their starting point the financial position of the provinces as it will be when all the provincial contributions have been extinguished. No departure from the undertaking, which has been repeated on more than one occasion, to wipe out these contributions as early as possible, is or will be contemplated. Indeed, any other course would lay the Government of India open to the accusation of trying to benefit one province at the expense of another.

4. In seeking a new scheme of distribution, I am to state that the Government of India consider that practical considerations and the

requirements of equity demands the recognition of certain basic factors and principles, which are indicated below :—

- (1) The Meston Award should be regarded as the settlement which holds the field so far as its major achievements are concerned.
- (2) The changes to be introduced into that Settlement should be kept down to the minimum.
- (3) Any sacrifice of revenue involved in a redistribution of taxes must be at the expense of the Central Government and cannot be made until the provincial contributions have ceased.
- (4) The distribution of taxes should give the Central Government sufficient freedom to expand its revenues to meet emergencies, such as a great war.

I am also to impress on the Provincial Governments in this connection that it is an essential feature of the reformed constitution that the duty of finding additional resources for the financing of progressive policies rests on the Provincial Governments and their Legislatures, and that, when once the improved settlement now under discussion has come into existence, they will be expected, whenever necessary, to make use of their existing powers of taxation and to develop the possibilities of elasticity contained in them, and, in particular, to find a way out of some of their special difficulties by developing municipal taxation and expenditure.

5. I am now to discuss the specific recommendations of the Indian Taxation Enquiry Committee with reference to the general principles enunciated above. The proposal of the Committee that the revenue from excise opium should be transferred to the Imperial Government has already been rejected by the Government of India for reasons which have been explained in Mr. Tottenham's letter C. No. 43-E. O./26, Finance Department (Central Revenues), dated the 30th June 1926. Similar administrative objections apply to the recommendation of the Committee to transfer the excise duty on country made "foreign" liquor to the Central Government. The Government of India have not yet arrived at a definite decision on the question, but so far as the present reference is concerned, they do not propose to take this recommendation into consideration.

6. The proposal of the Committee, to centralise non-judicial stamps, with which I am next to deal is, in the opinion of the Government of India sound. As the Committee have pointed out, the authors of the Report on Indian Constitutional Reforms intended that the revenue from general stamps should be allocated to the Central Government. It was diverted to the provincial exchequer by the Meston Committee because, to quote the words in paragraph 312 of the Taxation Enquiry Committee's Report, "that Committee found no other means of securing a complete separation of the sources of revenue between the Provincial and the Central Governments which would give an adequate revenue to certain provinces." The Joint Select Committee of the Houses of Parliament which considered the Meston Committee's Report, while

they departed so far from the principle of separation of sources as to recommend that the provinces should be granted a share in the growth of revenue from taxation of incomes, made no suggestion as to the restoration of general stamps to the Central Government. The reasons justifying such a retransfer have been elaborated in paragraphs 314-316 of the Taxation Committee's Report. To avoid some of the inconveniences of the present system, the Government of India have already been compelled to reserve the right of fixing the duty on some of the more important items in the Stamp Schedule. Moreover, such important problems as the extension and improvement of banking and money market facilities, with which they have to deal, are closely bound up with questions of stamp duty. The Government of India, therefore, are inclined to accept the recommendation of the Committee that non-judicial stamps should be transferred from the provinces to the Central Government.

7. To compensate the provinces for the loss of revenue from non-judicial stamps, the Committee have recommended that they should be given the proceeds of a basic rate on personal incomes graduated proportionately to the general rate. The Government of India recognise, that, in order to give additional elasticity to provincial revenues, it is desirable to give the provinces a share of the income-tax, and they agree with the Committee that the personal incomes from all sources of assesses resident within the province would reflect the progress in well-being of its inhabitants so far as any income-tax statistics can reflect them and would, therefore, be an equitable basis for the division of the income-tax. They consider, however, that the adoption of a graduated rate would be inconvenient from the point of view of both the Central Government and the Provincial Governments, since it would create difficulties in the event of a decision to alter the rates or to adopt a new system of graduation. They would, therefore, prefer a flat rate on personal assessable incomes to the formula suggested by the Committee. This arrangement would replace the present arrangement under Devolution Rule 15. I am to enclose a table showing on the basis of estimated figures (which would require to be modified on the basis of actuals to be hereafter obtained) the approximate amounts of the assignments for each province in respect of income-tax proceeds if this formula were adopted and the amount to be distributed in the first year were fixed respectively at 3 crores and 3½ crores.

8. It is obvious that, whatever scheme for the division of the income-tax is adopted, it will be impossible exactly to balance the loss of revenue from non-judicial stamps of each of the provinces. I am to state that, in the opinion of the Government of India, the only solution by which financial equilibrium can be established and which can give satisfactory results is to make up deficiencies by means of a method of fixed assignments to each province from the central revenues. They prefer this to a system of contribution from provinces since any system under which a provincial Government would raise taxes locally to finance central expenditure is undesirable and is open to the objection that it

distributes the burden of taxation unfairly. They recognise that there are corresponding objections to a system of central contributions, but these are, in their opinion, less weighty both in theory and practice. The assignments from the Central Government will be so fixed as to place each of the provinces in approximately the same financial position at the outset as if no change had been made in the Meston Settlement. I am to add that, in connection with any revision of the Meston Settlement on the lines indicated above, the Government of India propose to abolish any existing annual assignments which are recurrent and are of the nature of compensation paid to or by a province in consideration of the minor modifications already made in the Meston Settlement. Examples of such assignments are those made in respect of customs duty on Government stores, those made on account of unified stamps, and those under Devolution Rule 15. All these will be merged in the final figure for each province.

9. To sum up, the proposals which are now under the consideration of the Government of India and on which I am to invite the opinions of Provincial Governments are briefly as follows : -

- (1) Non-judicial stamps will be transferred to the Central Government.
- (2) The provinces will be given the proceeds of a flat rate of income-tax (say, for purposes of illustration, $2\frac{1}{2}$ or 3 pies in the rupee) on personal assessable incomes from all sources (including dividends from companies wherever situated) of assesseees resident within the province. The administration of the income-tax department will continue to be exclusively under the Central Government, but it is not proposed to debit any portion of the cost of the department to the Provincial Governments.
- (3) The resulting provincial deficits, adjusted with reference to existing annual assignments, will be made good by means of fixed assignments from the Central Government which will remain unchanged indefinitely, the amounts of such assignments being so calculated as to place the provinces in approximately the same financial position at the outset as if no change had been made in the Meston Settlement. The flat rate of income-tax will be so fixed as to reduce the Central assignments to as low a figure as possible.

I am to emphasise that this scheme is put forward not as a definite proposal of the Government of India but only as a tentative plan which they have under consideration.

10. In conclusion, I am to state that the Government of India will be obliged if they may have the considered views of the Government of before the 1st October 1926 so that they may be ready with definite proposals for discussion at the Conference of Financial Representatives in November next.

Enclosure to letter No. F-116 (V) F-26, dated the 13th August 1926.

Provinces.	Personal S. T. income <i>plus</i> Personal I. T. income. Estimated average of 3 years (1922-23-24-25).	Assignments in lakhs on a 3 crore basis, i.e., 2-6 pies per rupee.	Assignments in lakhs on a 3½ crore basis (3-03 pies per rupee).
Madras	27,18,58,500	36-84	42-08
Bombay	69,17,78,696	93-72	109-34
Bengal	50,89,78,152	68-97	80-46
United Provinces	15,42,16,890	20-88	24-36
Punjab	16,41,00,900	22-23	25-03
Burma	19,18,45,100	25-98	30-31
Bihar and Orissa	10,22,90,617	13-86	16-17
Central Provinces	8,97,70,550	12-15	14-17
Assam	3,96,46,666	5-37	6-26
TOTAL	2,21,44,86,061	300-00	350-00

LETTER FROM THE GOVERNMENT OF ASSAM, No. 6506-F. M., DATE
THE 30TH SEPTEMBER 1926.

I am directed to refer to your letter No. 116 (V) F-26 of 13th August 1926, and to say that the Governor in Council has carefully considered the tentative scheme there put forward for the revision of the Meston Settlement. He observes that while it is intended to place the provinces in approximately the same financial position at the outset as if no change had been made in the Meston Settlement, the actual effect is to substitute to a considerable extent a fixed assignment for expanding sources of revenue. This arrangement must be peculiarly unfavourable to a province like Assam which is now largely undeveloped but is in process of steady and continuous development, necessarily involving a growing expenditure from public funds, and the Governor in Council trusts that special consideration will be given to the peculiar conditions of this province before any change is made in the existing system.

2. The revenue which Assam derives from non-judicial stamps, is, as will be seen from the figures noted below, growing steadily and fairly rapidly. Part of the increase is due to the increased rates of stamp duty temporarily levied for three years under the Assam Stamp Act, 1922, and continued for a further period of three years by the Assam Stamp Act, 1925; but apart from the effects of those Acts there is a steady and substantial increase which was only checked in 1921-22 by the non-co-operation movement. It is certain that with the development of the

province the rate of increase in this source of revenue will be accelerated, and that the present proceeds from it represent but a small proportion of what the proceeds will be in a few year's time. The province, therefore, stands to lose heavily by the substitution for its revenue from non-judicial stamps of an assignment fixed on the basis of the present receipts.

	Net receipts.	Stamps, non- judicial.
1919-20	4,64,053
1920-21	4,82,498
1921-22	4,11,866
1922-23	5,35,597
1923-24	6,28,134
1924-25	6,91,492
1925-26	8,05,972

3. In part compensation for the loss of this fruitful and promising resource, it is proposed to assign the proceeds of a flat rate of income-tax on personal assessable incomes, which would take the place of the provincial allocation provided for by Devolution Rule 15. By this rearrangement also the Assam Government would stand to lose substantially. As was pointed in paragraph 3 of Mr. Lloyd's letter No. 5530-F. M., dated the 18th July 1925, Assam benefits in a peculiar degree by the present arrangement since the profits of tea companies were first assessed to income-tax after the year 1920-21, but this addition to the provincial resources is only equitable, since the existence of the great tea industry in Assam, necessitates heavy expenditure in almost every branch of the provincial administration. In the absence of reliable figures relating to dividends from tea companies assessed to income-tax outside the province but paid to persons resident within the province, it is not possible to say precisely what the provincial loss would be under the proposed arrangement, but the Governor in Council is assured that it would be considerable and that the estimated figures given in the statement appended to your letter are considerably higher than would actually be reached. The preponderance in Assam of tea companies working on sterling capital renders the proportion of the dividends distributed to residents within the province much smaller than in the case of most other provincial industries, and any empirical calculations relating to this matter based on conditions prevailing in India generally must operate to the detriment of Assam.

4. In paragraph 4 of your letter, the Government of India impress upon Provincial Governments that the duty of finding additional resources for the financing of progressive policies rests upon them and that when the new settlement now under discussion has come into existence, they will be expected, whenever necessary to make use of their existing powers of taxation and to develop the possibilities of elasticity contained in them. The difficulty of inducing the Legislative Council to agree to any such course of action is not peculiar to Assam but in respect of

the exploitation of taxable resources, Assam labours under special difficulties to which I am to invite the attention of the Government of India. The Government of Assam have more than once protested against the continuance of the export duty on tea, not merely on abstract economic grounds, but also because its levy prevents any adequate contribution being taken from the tea industry to meet the cost of the provincial administration, which as already explained is greatly increased by the existence of the industry within the province. Import duties, which are entirely central, constitute another serious burden upon the industry, while under the proposed arrangement, stamp duties will be centralised and the present small share of the income-tax allocated to the local Government will be considerably reduced. In these circumstances one important potential taxable source is deprived of all elasticity which could be exploited for provincial purposes, while elasticity under other heads is not easy to find. A gradual reduction of the Excise revenue seems inevitable, and apart from Forests, the development of which must depend to a large extent on capital expenditure and will be a slow process, Land Revenue will under the proposed arrangement be the only important head of expending revenue left to the local Government. There are however limits to the amount which can be taken from the ordinary cultivator and it would be obviously unfair to make that class pay for the increased cost of the administration due to the existence of a special industry, which is already fully exploited for the purposes of central taxation.

5. For these reasons the Governor in Council views the scheme set forth in your letter with the gravest misgivings. He cannot but feel that the substitution for growing sources of revenue of a fixed assignment which will remain unchanged indefinitely will render it impossible to provide adequately for the needs of the province during its present stage of development; and he trusts that in the course of the discussions which are to take place on this subject, some more equitable solution will be found.

LETTER FROM THE GOVERNMENT OF THE CENTRAL PROVINCES, No. C-95/1483-X, DATED THE 3RD OCTOBER 1926.

I am directed to reply to your letter F. No. 116 (V) F/26, dated the 13th August 1926, on the subject of the distribution of taxes between the Central and Provincial Governments, with special reference to the recommendations made by the Indian Taxation Enquiry Committee in chapter 16 of their report. The scheme tentatively outlined is based on the condition precedent that the present provincial contributions have already been extinguished and it is then proposed that the Head non-judicial stamps should be transferred to Central Revenues and that in its place the provinces should be given the proceeds of a flat rate on the income-tax on personal assessable incomes from all sources; the resulting provincial deficits being made good by means of fixed assignments from the Central Government. The assignments are to remain

unchanged indefinitely and to be so calculated as to place the provinces in approximately the same financial position at the outset as if no change had been made in the Meston Settlement.

2. The Governor in Council, in considering the financial and other effects of these proposals, has for the reasons outlined below experienced considerable difficulty in coming to any definite conclusions. In the statement appended to this letter the revenues derived during each of the last 5 years from these two heads are given. Both are expanding sources of revenue, but owing to changes which have occurred in recent years, both in regard to the methods of assessment in the case of Income-tax and the rates of assessment in the case of both taxes, it is difficult to determine finally under which head there are greater potentialities of growth. The recent reorganisation of the Income-tax department led to an immediate increase in the estimate of assessable income, but in the last two years there has, it will be seen, been an important drop of over Rs. 90 lakhs below the figures of 1923-24. The present net revenue from non-judicial stamps is about Rs. 19½ lakhs, and at the present rates the normal annual growth of revenue appears to be about Rs. 50,000. On the other hand, the provincial share of Income-Tax will, according to the flat rate sanctioned by the Government of India, be between Rs. 12 and Rs. 14 lakhs, and if, despite the present slump, the normal annual increase in personal assessable income be taken at Rs. 27 lakhs (*vide* statement); the normal growth in the provincial share of the revenue under this head will vary from Rs. 35,000 to Rs. 42,000 according to the flat rate sanctioned. So far, therefore, as the figures have value they show that in recent years there has been a great natural growth and expanse in the revenue derived from non-judicial stamps than in that from personal Income-tax.

3. It is also probable that, in a province situated like the Central Provinces with its predominant agricultural interests these conditions may continue to prevail almost indefinitely. Business, commerce and industries have only a subordinate importance and the sources of Income-tax are therefore limited, while the profits from stamps come alike from transactions connected with land, as well as from other business. In addition, the chief industries of the provinces, its coal and manganese mines and its cotton mills, are all largely in the hands of companies, the shareholders of which are mainly not resident within the province. The Governor in Council, therefore, inclines to the view that the province is not likely to profit financially by the proposals now outlined, as if the present ratio growth of the two taxes continued, the methods proposed in paragraph 9 (3) of your letter under reply for adjusting the resulting provincial deficits will operate increasingly to the financial disadvantage of the province.

4. The local Government will also have no control over the alterations of assessment in regard to both taxes, a factor which would directly affect the rate of expansion. At the same time it will render itself dependent on a tax which is universally unpopular and the enhancement of which will always be resisted, as against a tax which is only indirectly

felt by the whole community and which, as the recent Stamp Amendment Act, no longer in force, has shown, is capable of considerable enhancement should local circumstances require that this be done.

5. Whatever therefore may be the theoretical advantages of the scheme proposed, there are practical objections which have considerable weight, and in so far as the purely local interests of the province are concerned, the Governor in Council inclines to the view that the maintenance of the existing settlement *minus* the provincial contribution, would be more advantageous to it than the scheme proposed. In any case before he commits himself in regard to the present proposals of the Government of India, he desires to have some idea of what the intention of the Government of India is in regard to the proposals of the Taxation Committee in respect of the future rates of assessment of these two taxes.

STATEMENT.

I. Statement showing the gross and net revenue from non-judicial stamps realised during the years 1921-22 to 1925-26.

(The figures are in thousands.)

Year.	Total revenue.	Total expenditure.	Net revenue.	Increase or decrease of revenue as compared with the pro- vious year.
	Rs.	Rs.	Rs.	Rs.
1921-22	17,23	1,09	16,14	..
1922-23	19,28	1,14	18,14	+2,00
1923-24*	22,70	1,80	20,90	+2,76
1924-25	24,28	1,32	22,96	+2,06
1925-26	24,16	1,58	22,58	-0,38
1926-27†	21,09	1,83	19,26	-3,34

* Year during which the enhanced rates prescribed by the C. P. Stamp Amendments Act were in force.

† Budget figures.

If the net revenues of the years 1921-22 and the budgetted net revenues of 1926-27 be compared, during which years the same rates were in force, there is an increase of Rs. 3.12 over 6 years, or an annual growth of Rs. 0.52.

II. Statement showing the assessed personal income on which income-tax revenue is calculated for the years 1921-22 to 1925-26.

Year.	Amount of Assessed Income.	Increase or decrease on the figures of the previous year.
	Rs.	Rs.
1921-22	6,19,76	..
1922-23	7,23,01	+1,03,25
1923-24	8,47,76	+1,24,75
1924-25	7,77,19	—71,57
1925-26	7,56,91	—19,28

If the assessable income of 1921-22 be compared with that of 1925-26, there is an increase of Rs. 1,37.15 over 5 years or an annual growth of Rs. 27.43. This would yield to the Province from Rs. 35,000 to Rs. 42,000 increase according as the Flat Rate selected is 2½ or 3 pies.

LETTER FROM THE GOVERNMENT OF MADRAS, No. 24262-ACCTS.-1,
DATED THE 2ND OCTOBER 1926.

Report of the Indian Taxation Enquiry Committee in its relations to the Meston Settlement—Ref. Letter from the Government of India, Finance Department, F. No. 116 (V) F./26, dated 13th August 1926.

In reply to the letter from the Government of India referred to above, I am directed to state that, if the Madras Government understand them aright, the proposals of the Government of India accept the position which this Government have always maintained, namely, that no question of revision of what is known as the Meston Settlement can arise until this Government are secured in all their revenues under that scheme, that is to say, those revenues of which they would be possessed, if and when the provincial contributions have been extinguished. They entirely concur that, once that has been effected, the proposal of the Indian Taxation Enquiry Committee to centralise non-judicial stamps is sound.

2. As regards the arrangement under which Provincial Governments are to be compensated for the loss of provincial revenue to which this reform will give rise, I am to say that the tentative conclusion of this Government is that the proposals of the Government of India are probably as equitable as could be devised. I am to add, however, that, in their opinion, the flat rate should be so adjusted that, at the outset, no province shall receive more than approximately the amount of revenue

actually lost by the transfer of general stamps. It seems clear that, if the flat rate were pitched sufficiently high, some provinces might receive under this head alone considerably more than the revenue thus lost.

3. The Madras Government recognize that these proposals substitute for general stamps a source of revenue which may prove much more progressive in some provinces than in others, as a percentage increase in the sum total of the personal assessable income in one province will give a much larger additional revenue than a similar percentage increase in another. That result, however, seems to them to be equitable, and they trust that the proposals of the Government of India will result in an adjustment of the financial settlement which will not only meet the position of this Government but prove acceptable to other provinces, which have attached much greater importance to the right of sharing in the proceeds of the income-tax.

LETTER FROM THE GOVERNMENT OF THE UNITED PROVINCES, No. B.-848, DATED THE 7TH OCTOBER 1926.

I am directed to invite a reference to Mr. Jukes' letter No. 116 (V) F./26, dated August 13, 1926, which deals with the recommendations of the Indian Taxation Inquiry Committee on the subject of the distribution of taxes between the Central and Provincial Governments. In this letter, the Government of India ask for the opinion of the Local Government on the proposals :—

- (a) to transfer non-judicial stamps to the Central Government; and
- (b) to reimburse provincial revenues by means of the proceeds of a flat rate of income-tax on personal incomes from all sources, with a fixed and permanent assignment in adjustment of any deficit.

2. As regards the first proposal, the Governor in Council has no observation to make save that he agrees entirely with the arguments by which the Taxation Inquiry Committee support the suggestion to retransfer general stamp revenue from the provincial to the central exchequer.

3. The Governor in Council, however, is not satisfied that the second proposal, which he has carefully considered, is equally acceptable, and offers for the consideration of the Government of India the following criticisms.

4. (a) The Government of India, in paragraph 7 of Mr. Jukes' letter, recognize "that in order to give additional elasticity to provincial revenues, it is desirable to give the province a share of the income-tax." This share of income-tax will be based on the assessable income, and the revenue derived therefrom will expand as that income expands. In other words the provincial share of the income-tax revenue will be capable of natural growth. But the revenue derived from general stamps.

is also capable of natural growth, as the actual receipts of recent years prove. If the exchange of one source of revenue for the other, is to be fair, then clearly the province should receive a sufficient share of income-tax revenue to produce the entire sum which it now receives from the general stamp duties; and the proposal to substitute a fixed assignment for a part of that revenue will not satisfy that condition, because it has the effect of depriving the province of a part of that natural growth of revenue generally by which it at present benefits. And this loss will be appreciable. The revenue derived from general stamps at present is approximately 38 lakhs; a flat rate of 3.03 pias per rupee would produce a little over 24 lakhs; so that the fixed assignment on this basis would be 12 lakhs. One-third of the new source of revenue would, therefore, be entirely incapable of natural growth.

5. (b) Though the revenue derived from general stamps is on the whole progressive, and has actually increased at the average rate of a lakh per annum during recent years, yet in the same period not only has the income assessed to income-tax declined, but the number of assessees has fallen. The Governor in Council suggests indeed that for the reasons noted below the growth of income, and consequently of income-tax revenue, will always lag behind the growth of income-tax revenue derived from general stamps.

(1) The causes which produce variations in these two types of tax are much the same; the revenues from both tends to increase in prosperous times and to decrease in times of depression. But in the case of general stamp revenue, the variations due to these causes are less marked than in the case of income-tax revenue. General stamp duties for the most part relate to transactions involving, directly or indirectly, some transfer of property. In prosperous times, the number of these transactions increases because there is more property coming into the market in the course of trade or commerce. But in times of depression, though the amount of money seeking investment in property decreases, yet the number of transfers does not necessarily decrease proportionately, since credit operations of all kinds are required to tide over the period of depression.

(2) Moreover in so far as the growth of income-tax revenue and the growth of general stamp revenue are due solely to increased prosperity, the former growth will always, for two reasons,—one natural and one artificial—be slower than the latter. The natural reason is that the increased number of transfers of property which causes the growth of revenue from general stamps, must have time before they can produce their natural effect in the growth of income, and consequently of income-tax revenue. The artificial cause is that income-tax is always assessed on the income of the preceding year. The Governor in Council suggests that, as a general

rule, a prosperous trade year would produce an increase in the revenue from general stamps in that year, but would not increase the income-tax revenue till the next year, or the next year but one.

6. This tendency of income-tax revenue to lag behind general stamp revenue is of special importance in the circumstances of the province. The province already benefits by a steady growth in its general stamp duties. If it is to give up that revenue and receive in lieu a share of its income-tax revenue, it will not obtain an equal benefit immediately though it may do so in course of time. But in the present financial position of the province, it is the present that matters; the future, bringing with it further remissions of the contribution, will not be so difficult from the financial point of view.

7. (c) As has been mentioned above, the normal annual growth of general stamp revenue averages a lakh of rupees. To obtain the same result from the share of income-tax (even if the average rate was fixed sufficiently high to dispense with the need for any adjusting assignment), the growth of assessable income would have to be 62 lakhs per annum. Judging from past results, the Governor in Council has little hope that such an increase will occur in the near future.

8. (d) The Government of India suggest that the share of income-tax which they propose to give to the province in lieu of general stamp revenue will give additional elasticity to the provincial revenues. The term "elasticity" as applied to taxation usually connotes that its proceeds can be artificially expanded or contracted by varying the rate of taxation. That is true of the existing revenue from general stamps; but it will not be true of the proposed share of income-tax, since presumably the Government of India will retain the right to vary the rates of income-tax. In the opinion of the Governor in Council, therefore, the proposal, so far from increasing, will actually decrease the elasticity of provincial revenues.

9. The Governor in Council, therefore, considers that the proposed change will prove disadvantageous to the province and, unless some means can be devised to avoid the consequent loss, he is not at present prepared to support it.

LETTER FROM THE GOVERNMENT OF BENGAL, No. 1453-T.—F. B., DATED
DARJEELING, THE 2ND OCTOBER 1926.

*[Report of the Indian Taxation Enquiry Committee in its relation to the
Meston Settlement.]*

I am directed to refer to your letter No. F. 116 (V) F-26, dated the 13th August 1926, on the above subject, in which the Government of India, acting on the recommendations of the Indian Taxation Enquiry Committee as to the theoretically correct distribution of the proceeds



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submitted to the
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give Bengal an expanding revenue to cope with the growing needs of the province. The prognostications of this Government as regards the first and second points were completely justified, for the immediate effect of the award was a very considerable deficit as was indeed admitted by the Government of India. This Government had to impose additional taxation, resort to drastic measures of retrenchment and to ask for the remission of the provincial contribution. The finances of the province are somewhat better, but even now there is no working surplus and there is not a sufficiently expanding revenue. The local Government, thanks to additional taxation and the remission of the provincial contribution, is solvent, but they can do nothing of value to cope with the growing needs of the province.

4. The main contention of this Government is whatever may be the manner in which the proceeds of taxation be allotted for the needs of Bengal, that allocation will never be satisfactory unless and until the total proceeds bear a sufficient approximation to the expenditure of the province. By the Meston Settlement Bengal was placed in a position of very considerable deficit—the expenditure far exceeded the revenue—with the remission of the provincial contribution that deficit was reduced but by no means wiped out. It seems scarcely necessary again to enlarge on the facts, they have been so often pressed on the Central Government and are well known to the Government of India. The financial plight of Bengal has been admitted, and it has been recognised by the temporary remission of its contribution. The remarks of Sir Malcolm Hailey, quoted in paragraph 5 of this Government letter No. 720-F. of the 19th January 1925, may be here repeated :—

“We have examined the case both narrowly and critically and it appears certain that with every economy Bengal must have a deficit of not less than Rs. 120 lakhs, even if we make no allowance for any extra expenditure on improvements in transferred subjects, such as are desired by Ministers—improvements which we are told are necessary if the system of Reforms is to be a success. Bengal would have that deficit even if it provided only the bare minimum expenditure required to carry on the ordinary administration of the province.

5. The temporary remission of the contribution has been of some assistance to the local Government, but the Governor in Council desires to repeat that the Government of Bengal accepted this under protest as a mere palliative, and that he cannot accept it as a final solution of the question. The complaint of the Government of Bengal has always been that sufficient regard was not had to the expenditure of the province. The Meston Settlement did not give sufficient regard to the fact, that, when the financial changes consequent on the Reforms were under consideration, Bengal was working merely on a provisional settlement. That provisional settlement had been made in 1912 for a period of three years only and its revision had to be postponed owing to considerations

arising out of the war, and had not been effected when the Reforms came under consideration. Had that revision been effected, there cannot be the slightest doubt—and this is supported by the investigations made preparatory to the appointment of the Meston Committee and subsequently on the representations of this Government against the Meston award—that an inevitable increase must have been made in the revenues of the province in order to meet its expenditure. An inevitable consequence of this would have been therefore that the increased spending power of Bengal under the new distribution of revenues recommended by the Meston Committee, as found by that committee would have very largely disappeared and the premises on which the Meston Committee based its recommendations would have been materially altered. The local Government must therefore press again for a thorough revision of the whole settlement.

6. Adverting however to the proposals which the Government of India put forward for the transfer of the revenue from non-judicial stamps from the Provincial Governments to the Central Government, and its replacement in the revenues of the Provincial Governments by a share of the receipts from income-tax and a fixed assignment to make up for the resulting provincial deficit, there is undoubted force in the arguments that have been put forward on various occasions, reiterated recently by the Taxation Enquiry Committee, that non-judicial stamps should be a central source of revenue. It is recognised that their allocation to provincial revenues was primarily based on the fact that by no other means then found feasible was it possible, following the underlying principle that there should be complete separation of sources of revenue between the Central and Provincial Governments, to secure to certain provinces adequate revenues. This Government need therefore not object, provided it is assured of another source (or sources) of revenue, at least equally satisfactory and equally capable of the same financial possibilities.

7. In the opinion, however, of the Governor in Council the proposals of the Government of India—a share in the income-tax *plus* a fixed assignment—entirely fail to meet this condition; and he is compelled, therefore, to say that he is unable to accept them as a satisfactory arrangement. In paragraph 7 of their letter under reply the Government of India remark—“The Government of India recognise that in order to give additional elasticity to provincial revenues it is desirable to give the provinces a share of the income tax.” The Government of Bengal find it, however, impossible to understand how the proposals of the Government of India will make for additional elasticity. The proposal is to replace non-judicial stamps, an elastic source of revenue, by an elastic source of revenue, income-tax, producing a fractional part (in Bengal, on the higher estimate, only two-thirds) of the revenue derived from non-judicial stamps with the deficit made up by a fixed assignment. The Government of Bengal have not access to the figures on which the share of the receipts to be given to the local Government has been based, but those figures which they have do not exhibit that capacity for

expansion which is possessed by non-judicial stamp revenue. It is therefore not clear to what extent that source of revenue—*income-tax*—is at present elastic. However that may be, elasticity is in part to be replaced by inelasticity; it is diminished instead of being added to, and Bengal undoubtedly would lose rather than benefit from the proposal.

8. The facts relative to the non-judicial stamp revenue in Bengal make this abundantly clear. The normal standard taken at the time of the fixation of the present settlement was Rs. 84,60,000. In order to clear its recurring deficit and secure equilibrium in its finances, but solely as a temporary measure for this purpose, the local Government with the assent of the Legislative Council increased the rates of non-judicial stamps and secured a very considerable enhancement of its revenues. The full effect of this measure has not yet been obtained, but nevertheless in the past year the revenue from this source amounted to Rs. 1,30,59,000. The Governor in Council must, and the Legislative Council in particular would, object most strongly to the replacement of this source of revenue which has shown itself so capable of expansion by a new arrangement, which would be in part a fixed assignment and for the remainder a source producing a lesser revenue and with no greater comparative power of expansion. That objection has all the more force inasmuch as the increased taxation, although temporarily meant to produce equilibrium, was eventually intended for development in the more popular side of the administration. It follows that the local Government cannot agree to any proposal for a change in the present allocation of revenue unless that change produces equal, if not greater, elasticity in the sources of revenue made available to the province. The local legislature would equally strongly object to a measure which would place at the disposal of the Central Government the increased revenue, which by their own legislation they have secured with the intention of carrying out the development of their own province, for what on the face of it is a less elastic source of revenue. If no other solution can be devised the Governor in Council considers that the existing arrangement by which non-judicial stamps are retained by the province may well be allowed to continue. Although there are difficulties in dealing with that source of revenue, as it relates to subjects administered by the Government of India, these difficulties have been got over in the past and there has been no particular inconvenience.

9. The Governor in Council, however, recognises that it is but fair that the provinces, particularly industrial provinces, should have a share in the *income-tax*. This is all the more necessary in Bengal which differs from all the other provinces of India, except Bihar and Orissa, in that its Land Revenue is based on a permanent settlement, is particularly inelastic in nature, and on the basis of population compares very unfavourably with other provinces. It has indeed already been admitted that the provinces should have a share of the profits on industrial and commercial undertakings, but by the Meston Award the Government of Bengal have been deprived of such profits by the Government of India retaining the *income-tax* while leaving it to the Government of Bengal

to maintain entirely the administration, at a great expense, of a city which has grown to the size and importance of the City of Calcutta by reason of its large industrial and commercial undertakings.

10. While, however, the Governor in Council would agree with the proposal that in any modification of the present settlement the provincial Governments should have a share of the income-tax, he is not satisfied, even apart from the conclusions set out above, that the proposals put forward in paragraph 7 of the Government of India letter constitute the best method of giving effect to this intention. With the suggestion of a flat rate he agrees: it is the simplest method, it gives a feeling of some elasticity, it provides for expansion and it is an encouragement to a local Government to develop its industries. The difficulty which the Governor in Council sees has reference to the basis of assessment. The proposal is to give the proceeds of a flat rate on personal assessable incomes from all sources of assesses resident within the province. The idea underlying this is that the income-tax is primarily a personal tax and that the provinces cannot equitably claim anything in the shape of a tax from persons not resident in their jurisdiction. It is not clear, however, whether in referring to personal assessable incomes and a flat rate thereon, the Government of India propose to impose this flat rate also on personal incomes assessed to the super tax—although from the statement appended to their letter personal super tax incomes are included. The Taxation Enquiry Committee, while recommending a share in the income-tax for the provinces, expressed the opinion that super tax should go to the Central Government. The Government of India make no allusion to this recommendation; and I am, therefore, to request that their intensions in this respect may be expressed more clearly and that the expression "personal assessable income" may be defined.

11. Nor do the Government of India make any reference to the further recommendation of the Taxation Enquiry Committee that in addition to the allotment made on personal incomes, the allocation of which is based entirely on domicile, there should be partial recognition of the principle of origin by assigning to each province a small portion of the receipts of the corporation profits tax, by which term they designate the tax on the profits of companies now known as the super tax, and in respect of which they have made certain suggestions including the renewal of the present exemption limit. The Governor in Council maintains that it is in the income of companies and undertakings of this kind that the commercial prosperity of a province is reflected and that the considerations, which justify the allocation to an industrial province of at least a share in the income-tax from persons, are of no less weight in the case of the tax derived from companies. The test of domicile may be of greater weight and value than that of origin; nevertheless the distinction may well be obliterated when the provinces are to receive only a share of the receipts from income-tax. The Governor in Council urges therefore that instead of resorting to the complications

of personal assessable incomes and corporation profits, the solution lies in a flat rate based on the total of all assessable incomes.

12. In paragraph 8 of their letter the Government of India explain how the difference between the flat rate on the income-tax and the revenue from non-judicial stamps is to be made up. In their opinion, the only solution which can give satisfactory results is to make up deficiencies by means of a method of fixed assignment to each province from the central revenues. As has been shown, the result would not be satisfactory—the provinces would largely lose the possibility of expanding revenue which they might obtain if they retained non-judicial stamps. Part of an elastic source of revenue would be exchanged for an inelastic assignment. Their further suggestion for the merging of existing annual assignments in the final figure merely, in the opinion of the Governor in Council, adds to the unsatisfactory nature of the arrangement. Taking one instance, the Government of Bengal receive an assignment now of Rs. 11,30,000 on account of unified stamps, with a possibility of an increase after the term of five years for which the settlement of this assignment is made. The Government of Bengal will lose any such increase by the merging of this assignment in the proposed fixed assignment. The Governor in Council must, therefore, strongly object to the proposal for a fixed assignment, if it is intended to cover a deficiency caused by a change in the allocation of revenues which has the effect of depriving this province of revenues capable and possible of expansion and increase.

13. The proposals which the Government of India put forward in a tentative fashion do not, therefore, commend themselves to this Government; and His Excellency in Council is compelled to reiterate the statement that the Government of Bengal cannot be satisfied unless at any rate they are secured sources of revenue no less elastic than the present and providing sufficient expansion to meet at least the ordinary growth of expenditure.

14. In this connection I am to bring to the notice of the Government of India the fact that it has been pressed upon the local Government from time to time that Bengal should be given a share of the export duty on jute. The Governor in Council has generally met this contention by holding out that whilst he cannot remain satisfied with the Meston Settlement, he would leave it to the Imperial Government in the first instance to consider by what means a revision can satisfactorily be made. It is observed, however, that the Taxation Enquiry Committee have included export duties in the list of possible balancing factors in connection with the distribution between Imperial and Provincial; and His Excellency in Council, therefore, urges that in a revision of the settlement part at any rate of the proceeds of this duty may be credited to this province. The share of the exports of jute belonging to Bengal would amount to approximately 90 per cent. of the total export; and a share of the export duty on this article can, therefore, fitly be credited to Bengal without causing any complications in the settlement *vis-à-vis* other provinces.

LETTER FROM THE GOVERNMENT OF THE PUNJAB, No. 29613-B., DATED
THE 11TH OCTOBER 1926.

I am directed to reply to your letter F. No. 116 (V) F./26, dated the 13th August, 1926, regarding the report of the Indian Taxation Enquiry Committee in its relations to the Meston Settlement. I am to communicate the provisional views of the Governor in Council and to explain that they are intended to facilitate discussion and are not to be regarded as committing this Government to any decision.

2. In regard to the basic factors and principles enunciated in paragraph 4 of your letter, I am to say that the Governor in Council accepts them on the understanding that they do not refer to any changes that may be made in the Meston Settlement as a result of the enquiry of the Statutory Commission to be appointed under section 84-A of the Government of India Act. He assumes that this is the intention of the Government of India.

3. In regard to the financial aspect of the specific proposals contained in your letter, I am, in the first place, to observe that the receipts from non-judicial stamps in this province include certain fees and taxes imposed other than under the Stamp Act, which are collected in the form of non-judicial stamps for administrative convenience. It is assumed that your proposals do not extend to fees of this kind, but are confined to receipts from non-judicial stamps collected as duty imposed under the provisions of the India Stamp Act of 1899 and the connected provincial amendment Acts. On this assumption, the change proposed involves (a) the surrender by provincial Governments of the power to increase or reduce the rates of stamp duty on certain transactions, which they now exercise with the sanction of the Governor-General, (b) the surrender by provincial Governments to the Central Government of receipts from non-judicial stamps, and (c) the grant by the Central Government of compensation equivalent to the receipts of non-judicial stamps as calculated at the time of surrender, the compensation consisting of:—

- (i) the proceeds of a flat rate of income-tax, and
- (ii) a fixed cash assignment representing the difference between the amount surrendered and the initial proceeds of the flat rate of income-tax.

I am to say that the Governor in Council considers that, purely on financial grounds, the proposals are open to two objections: In the first place, they deprive provincial Governments of valuable means of raising new taxation or of giving relief in existing taxation, and they thus curtail the flexibility of provincial finance. In the second place, they involve the partial substitution of a source of revenue which contains the element of natural increase by a fixed assignment, and they are, therefore, unfavourable to those provinces in which the natural increase in the initial proceeds of the flat rate of income-tax will not suffice to cover the natural increase in the revenue from non-judicial

stamps. In this province, it is estimated that the natural increase in receipts from income-tax and in receipts from non-judicial stamps is at the same rate, which may, for the purpose of illustration, be assumed to be 5 per cent. per annum. The present receipts from non-judicial stamps are on the average about 40 lakhs per annum, while the proceeds from flat of 3.03 pies per rupee of income assessed to income-tax would be 26 lakhs. On this basis, the fixed cash assignment made by the Government of India would be 14 lakhs, and the Punjab Government would lose by the transaction the equivalent of compound interest on this sum at 5 per cent. per annum.

4. I am, however, to state that the Governor in Council is opposed to the proposed changes less on account of considerations of financial gain or loss to individual provinces, than because they offend against general principles to which he attaches importance. He considers it to be essential to the development of self-Government that the distribution of resources and powers between the Central and Provincial Governments should be such as to give to the latter sufficient powers in regard to the enhancement and reduction of taxation as will enable them to hold the balance fairly between different classes of the community. In his view it is not sufficient that local Governments should enjoy a share of the proceeds of taxation imposed by the Government of India on the industrial and commercial classes; local Governments must have the power to determine within reasonable limits the burden of taxation that these classes shall bear. The necessity of this power is especially felt in provinces such as the Punjab, where agricultural interests predominate and where political developments are in the direction of the creation of rural and urban parties, which in many matters tend to follow communal sympathies. The recent fiscal policy of the province has, to a considerable extent, been determined by the necessity of reconciling the conflicting interests of these two parties; and the fact that it has been possible to make substantial increases in the revenues of the province without serious opposition is largely due to the exercise by Government of its powers of taxation in such a way as to distribute the additional burden over all classes. The rural classes submitted less unwillingly to an increase in the canal rates because simultaneous measures were taken to enhance the stamp duty on transactions that primarily affected the urban population. In the same way it is now possible so to arrange reductions of taxation as to benefit all classes. The Governor in Council regards with apprehension a state of affairs in which it would not be possible for this Government either to tax or to relieve the section of the urban community which is composed of the industrial and commercial classes, but such a position would be created if the change now proposed were accepted. He is confident that the change would be viewed by the majority of members of the Punjab Legislative Council with disapproval, that it would embarrass Government in its fiscal policy, and that it would accentuate class and communal bitterness, by a serious curtailment of the present powers of the local Government, to reconcile divergent interests.

5. I am to say that the Governor in Council would attach less importance to the considerations mentioned in the last paragraph were it possible, as the Government of India suggest, to find a way out of provincial difficulties by the development of local taxation. I am to explain that, as the local Government has not the legal power to compel local bodies to impose additional taxation, it cannot redress inequalities in provincial taxation as between different sections of the community by enforcing what it considers to be suitable standard of local taxation. It is no doubt possible in theory to secure the desired result by differentiation between various local bodies in the amount of financial assistance given by Government; but, while indirect pressure of this kind may be, and is now used to induce a particular municipal committee or district board to raise a specific tax to the general pitch, it cannot be used as between urban and rural bodies without aggravating the class and communal feeling which it is the policy of Government to mitigate.

In connection with the general question of local taxation, I am to observe that the reformed constitution, which has, in effect, transferred the administration of beneficent departments on behalf of Government to ministers and their supporters in the Council, necessarily encourages a progressive increase in expenditure from provincial sources on those activities, *e.g.*, Education, Medical and Veterinary relief and communications, which may be regarded as a joint charge on provincial revenues and local funds. The total expenditure on these services tends steadily to increase while the proportion of the total provided by local bodies tends steadily to fall. In the opinion of the Governor in Council this tendency will persist since, apart from the natural desire of the Legislative Council to provide liberally for the beneficent departments, it is now generally recognised that it is only by means of a large measure of provincial finance and provincial control that it is possible, firstly, to avoid serious deterioration in efficiency, and, secondly, to secure a uniform standard of development throughout the province.

While, therefore, the Governor in Council accepts the desirability of the expansion of local resources, he considers that their development at the expense of provincial revenues would be inimical to progress, and that practical difficulties will so restrict their independent development as to afford little relief to provincial responsibilities.

6. In conclusion, I am to say that the Governor in Council considers that any change that may be made in the scheme of distribution of resources should satisfy two essential conditions; firstly, that it should not curtail but should, if possible, extend the existing powers of provincial Governments to tax urban interests; and secondly, it should not involve the substitution of a fixed assignment for a source of revenue which contains the element of natural growth. Subject to the above conditions, the Governor in Council will be glad to consider any scheme which will have the additional advantage of removing from the sphere of provincial taxation matters which are to some extent of all-India concern.

LETTER FROM THE GOVERNMENT OF BIHAR AND ORISSA, No. 3585-F. R.,
DATED THE 27TH OCTOBER 1926.

In reply to Mr. Jukes' letter No. F. 116 (V) F.—26, dated the 13th August 1926. I am directed to say that on the general administrative ground that the rates of duty imposed by means of non-judicial stamps should be uniform throughout India, the Governor in Council is prepared to accept the recommendation of the Indian Taxation Enquiry Committee that the administration of non-judicial stamps and the revenue derived from them should be transferred from the provinces to the Central Government.

2. In exchange for the revenue that will be lost to the provinces if effect is given to this proposal, the Government of India propose to apportion to them :—

- (a) the proceeds of a flat rate on personal incomes assessable under the Income Tax Act, and
- (b) a fixed assignment equal to the difference between the proceeds of the flat rate and the revenue from non-judicial stamps which will be diverted to the Central Government.

His Excellency in Council is prepared to accept the proposition that the loss to provincial revenues on account of the transfer of the revenue from non-judicial stamps should be made good by the assignment of a further share of income-tax, but he considers that the method of making the adjustment outlined by the Government of India in the letter under reply is open in several respects to doubt and objection.

3. In the first place the local Government are unable to discover how the figure of Rs. 10,22,90,017 shown in the enclosure to the letter as the estimated average of the personal I. T. income *plus* the personal I. T. income in Bihar and Orissa for the 3 years 1922-23, 1923-24 and 1924-25 has been arrived at. The corresponding figure supplied by the provincial Commissioner of Income-tax is only Rs. 8,53,06,667. The Government of India state in paragraph 9 of their letter that it is their intention that the flat rate should be so fixed as to reduce the fixed assignments to as low a figure as possible. The revenue from non-judicial stamps in Bihar and Orissa may be taken as roughly Rs. 20 lakhs a year. If either of the rates given in the enclosure to the letter is adopted, the fixed assignment necessary to make up the deficiency will be considerable. If either of those rates is applied to a total of assessed incomes amounting to only just over Rs. 8½ crores. the deficiency to be made good by the fixed assignment will be larger still. The local Government would therefore press that, if the system of 'expansible' *plus* fixed assignment is to be adopted, the 'expansible' assignment should be so calculated—if necessary at a separate rate for each province—as to reduce the fixed assignment to the lowest possible limits.

4. The local Government understand that the average of the 3 years 1922-23, 1923-24 and 1924-25 is given in the enclosure to the letter under reply solely by way of illustration, and that it is the intention that the

'expansible' assignment should be recalculated every year on the assessed incomes of the last year but two. But the rate of the 'expansible' assignment is apparently to be fixed at least for a term of years and the amount of the fixed assignment is to be determined once and for all. It therefore makes a considerable difference which year or series of years is taken as the basis of these calculations, and it is essential that the period taken should be a normal one.

5. The Government of India propose to give the 'expansible' assignment in the form of a flat rate on the total of incomes assessed to income-tax *plus* those assessed to super-tax, so as to allow for the varying distribution of tax-payers in the different grades in the different provinces. They prefer this system to the graduated rate proposed by the Committee on the ground that in the latter case difficulties would arise in the event of a decision to alter the rates or to adopt a new system of graduation. The local Government are not clear how the graduated rate proposed by the Committee would operate, but they consider that the expressed intention of the Government of India of giving additional elasticity to provincial revenues would be more effectively attained by the assignment of an extra share of the tax collected than by the suggested flat rate. No administrative difficulty would be involved in the system, and the local Government would derive some benefit from an increase of rates or from a relative increase in the number of tax-payers in the higher grades, of which the flat rate on assessed incomes would deprive them.

6. I am also to draw attention to the fact that if personal incomes only are taken as the basis of the calculation to the exclusion of the incomes of companies, the Government of Bihar and Orissa will be prejudicially affected in comparison with other provinces. As the Government of India are aware, there are a number of joint stock companies engaged in exploiting the natural resources of this province on a large scale, which are registered, and the majority of the shareholders of which reside, outside the province. If the local Government are given no share in the revenue derived from the assessment of these companies they will be deprived of what the natural resources of the province and the progress in well-being of its inhabitants would reasonably entitle them to expect.

7. The conclusion of the local Government on the proposal of the Government of India, is, therefore, that they have no general objection to the transfer of the revenue from non-judicial stamps to the Central Government if the difference is made good by the transfer of an extra share of the income-tax. As to the exact form of the adjustment, they consider—

- (i) that the expansible assignment should be as large and the fixed assignment as small as possible, even if this involves the fixing of a different rate for each province, and that care should be taken to ensure that the calculations are based on normal and not on abnormal years

- (ii) that the expansible assignment should take the shape of an extra share of the tax collected and not a flat rate on assessable incomes; and
- (iii) that the calculation of the expansible assignment on the basis of personal incomes is inequitable in the peculiar circumstances of Bihar and Orissa, and that some arrangement should be made whereby the provincial revenues may derive some benefit from the profits of companies operating within the province. This should not be difficult to arrange if the assistance to be given to the province takes the form of an additional share of the tax collected.

8. Finally, I am to say that the Governor in Council views with some anxiety the position in which Bihar and Orissa is likely to be placed relative to other provinces when the temporary benefits conferred by the Meston Settlement have lapsed. In paragraph 18 of the Meston Committee's report it is admitted that "in Bihar and Orissa the local Government is quite the poorest in India and very special skill will be required in developing its resources." It is true that the provincial surpluses of the last few years appear to give the lie to these misgivings, but these surpluses have been almost entirely due on the one hand to severe economy and the starvation of essential services, and on the other to the expansion of the Excise revenue. This head, to which the province is indebted for 2 out of its 5½ crores of revenue has now, it is generally admitted, reached its high water mark, and there are in any case objections to exploiting it further. Land Revenue has practically reached its limit. The increase of court fees means taxing litigation, and is always open to attack. The Government forests are small. Irrigation is not a profitable head in Bihar and Orissa, and never will be. Registration and the remaining revenue heads are of minor importance. There is therefore every justification for the statement of the Meston Committee (paragraph 18) that "there is a wholly abnormal want of elasticity about its (*i.e.*, this province's) revenues". That the Reforms would entail a greatly increased expenditure on the part of Government has always been recognised (*i.e.*, in paragraph 256 of the Montagu-Chelmsford Report), and in paragraph 4 of their letter under reply the Government of India impress upon the local Governments that it is an essential feature of the Reformed constitution that the duty of finding additional resources rests upon them. But, for the reasons stated above, little more can be expected from the existing revenue heads, while the more readily expansible sources of revenue such as salt, income-tax and customs, are not available. The province is naturally rich in minerals and, if further provincial taxation is to be raised, these are the obvious subjects of taxation. When however, the local Government proposed to impose a tax on coal and coke, the Government of India refused to sanction the introduction of the Bill in their letter No. 463-F., dated the 6th March 1923. When the Meston Settlement lapses and Bihar and Orissa falls into line with the other provinces as contemplated by the Government of India, it will have

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the revision now in contemplation will take into consideration what those provinces have lost and are losing owing to the defects of the Devolution rule 15.

3. The point of view of the Government of India is understood to be this, that whatever the merits of the case the Meston Settlement has now been so long in force that the provincial standards of expenditure have become crystallized and that it is impracticable to ask the provinces to reduce those standards. Any rectification of inequalities in the Settlement must therefore be made at the expense of the Central Revenues and not at the expense of other Provinces. Had the protests of this Government been listened to, it would not be possible to make use of this argument now; but in any case the argument cannot validly be employed in giving preference to further relief (in the shape of further remission of their contributions) to other Provinces at the expense of an industrial province which has admittedly been deprived of a just share of its industrial revenue. The high standards of living and the consequent cost of the administration in Bombay are themselves the result of previous financial arrangements made by the Government of India, and the province has the right to expect to be able to maintain those standards with the help of a reasonably expending revenue.

4. That Devolution rule 15 has worked in a thoroughly unsatisfactory manner and has failed to give relief to those provinces which it was primarily intended to benefit is admitted on all sides and needs no elaboration. Any revision of the Settlement which is based on Devolution rule 15 as it stands, will perpetuate the hardship to the industrial provinces which this rule was specifically designed to alleviate. This Government therefore claims that before any revision of the Settlement is undertaken Devolution rule 15 should for purposes of the revision be modified, and the revision should then take into account what this province would have got under the rule as so modified. The Government of Bombay desire that a modification of Devolution rule 15 on the lines already suggested by them should be taken in hand at once and that such revision should have precedence of any further remission of provincial contributions if the finances of the Government of India do not permit of the introduction forthwith of the revised settlement.

5. The suggestion to which I refer was put forward at the last conference of Financial Representatives and was to the effect that a revised datum line should be based on the ten pre-reform years ending with 1920-21. Most of the objections made by the Taxation Enquiry Committee are obviated under this datum line. This Government would further urge that the difference between what they would have received under the proposed Devolution rule and what they have actually received since the Reforms should be made up to them by a lump payment at the time of revising the Settlement.

6. Coming to the proposed transfer of non-judicial stamps to the Central Government, while agreeing that there are certain items in the schedule to the Stamp Act relating to commercial transactions in which

centralisation is desirable, the Government of Bombay are not prepared to admit that the centralisation of all non-judicial stamps is necessary either for administrative convenience or in the interests of commerce and banking. It is not possible in this letter to deal with this question in detail, and I am instructed now to say only that this Government desire to reserve their final opinion as to the need for complete transfer of all non-judicial stamps. If it is found after examination desirable to leave with provincial administrations certain items, the actual details must be settled later between the Government of India and the Provincial Governments. The question is likely to give rise to difficult legal and technical questions, such as the need for separate provincial stamps, which would require careful consideration. It will be difficult to estimate with any degree of accuracy the amount of revenue accruing from the items which a Provincial Government will surrender.

7. The accompanying statement, No. II, will show that non-judicial stamps is an important and steadily growing source of revenue in this Presidency. Another very important consideration is that a local Government has at present the power to vary the rates by legislation. They will lose this power in the case of all non-judicial stamps that are centralised. There are certain items in the stamp schedule, (c.g., contract notes by a broker or agent and transfers) which are sources of considerable potential revenue to this Government. For such items as they do surrender they should be compensated in such manner as to make up not only for their existing revenues but for their prospective expansion.

8. As regards the method by which the share of the taxation of income is to be distributed among the different provinces, the letter from the Government of India does not explain how the figures in the enclosure to the letter are arrived at. It would appear that the method is based, in the absence of accurate figures, on a number of assumptions, and it is understood that actual figures are being collected. I am to attach a statement (No. I) which compares what this Government would get at 2·6 pies and 3·03 pies in the rupee on total personal income-tax income *plus* personal supertax income with what it would surrender under non-judicial stamps and under Devolution Rule 15. The figure of the total personal income-tax income *plus* personal supertax income, 69·18 crores, is that worked out by the Central Board of Revenue for Bombay and given in the enclosure to the Honourable Mr. Jukes' letter. The figure, 62·46 crores, is the average of the total assessed income of this Presidency for the three years 1922-23 to 1924-25. The receipts under Devolution Rule 15 are at 3 pies in the rupee on the total assessed income. If therefore the pie rate adopted is such that $\frac{2}{3}$ of it is equal to 3 the increments under Devolution Rule 15 will be equal to those at that pie rate on the total of the personal income-tax income *plus* personal supertax income. If the pie rate adopted is such that $\frac{2}{3}$ of it is less than 3 the receipts under Devolution Rule 15 at the various stages would be larger than those under the pie rate, and *vice versa*. But neither the proportion between the total income-tax income *plus*

the total supertax income and the total assessed income, nor the pie rate, are fixed quantities.

The figures are merely illustrative. It is not known what the actual proportion will be for the year which is finally adopted for the purpose of the settlement, nor at what pie rate it will work out. It will be seen that even at the 3.03 pie rate this Government does not get a "share of revenue which expands in proportion to the growth in prosperity and the taxable capacity of the province as evidenced by its personal assessed income".

It may be noted in connection with Statement No. I that it assumes the revenue from non-judicial stamps to be fixed although it is a steadily expanding source, and is also worked out on the basis of the present unsatisfactory Devolution Rule 15 and not on the revised rule proposed by this Government. Figures of what would be received at higher pie rates than 3.03 have been worked out, but they all show that the receipts fail to expand adequately with the increase in assessed personal incomes. It is likely therefore that this basis of personal income-tax income *plus* personal supertax income may have to be abandoned. It is however impossible for the Government of Bombay to commit themselves to any definite opinion without knowing the actual figures of personal income-tax income and personal supertax income. They are advised that it is not a matter of very great difficulty to obtain actual figures from the various provinces and they would therefore prefer to await them before expressing any further opinion as regards this method. In order to obtain the desired elasticity the Government of Bombay would submit that two other methods are available. The method proposed by the Taxation Enquiry Committee was that of graduating the basic rate proportionately to the general rate. They do not consider that, there are any insuperable difficulties in the way of such graduation. It is not impossible to adopt such a graduated rate for the different classes of income for which separate statistics may be maintained and to adhere to it, whatever alterations in the rates may be subsequently made by the Government of India for their own purposes. The second method is that of giving a higher pie rate to the industrial provinces in which a larger proportion of the income-tax is derived from incomes assessed at the higher rates than in the agricultural provinces.

9. Paragraph 8 of the Honourable Mr. Jukes' letter deals with the question of fixed assignments to the provinces. It may be pointed out that the total revenue from non-judicial stamps for the whole of India is 486 lakhs for the year 1924-25 while the pie rates have been worked out on the assumption that the sum available for distribution will be 3 crores or $3\frac{1}{2}$ crores. As no provincial Government will care to surrender a growing source of revenue for revenue a substantial portion of which would be in the shape of fixed assignment, it is absolutely essential that the pie rate should be kept as large as possible and the fixed assignment as small as possible, or entirely eliminated.

10. Before concluding, the Government of Bombay desire once again to bring the acute financial condition of this province to the notice

of the Government of India. The financial position has been reviewed by the Accountant General in the section II-D of his Appropriation Report for the year 1924-25. On that the Auditor General has commented as follows :—"The inability of the Bombay Government since 1923-24 to meet the whole of its statutory obligations under the Devolution Rules from its ordinary net revenues as shown in paragraphs 17—19 of the Report, the additional liabilities on the revenues in connection with Civil Works expenditure not costing more than 5 lakhs in each case, taken over from 1926-27, the growth of interest and sinking fund charges in respect of borrowings on capital account and the other very heavy commitments mentioned in paragraphs 34 and 36 of the Report, combined to show that the financial position in the near future will be serious. It is doubtful whether even the remission of the contribution to the Central Government will be sufficient in itself to ease the situation". This Presidency is now faced with the prospect of very heavy recurring deficits. It has levied additional taxation to the extent of Rs. 90 lakhs since the Reforms, besides raising revenue under Excise and other heads, to about the same extent by means of executive action. It is the opinion of the Legislative Council, which is shared by the non-official European members, that the limit of taxable capacity in the province has been reached. No progress in the nation building departments handed over to the Ministers under the Reforms is possible in the absence of the necessary funds. This Presidency is thus faced with the prospect of stagnation, while other more fortunate provinces are reducing taxation. If the proposals of this Government regarding the modification in Devolution Rule in paragraph 5 cannot be accepted and brought into force from the next financial year, it is urged that the provincial contribution of this Presidency may be temporarily remitted as in the case of Bengal, since its financial condition is very much worse than that of that province.

11. The position of this Government may be summed up as follows :—

- (i) The Government of Bombay maintains its claim that the Meston Settlement should be reconsidered.

Subject to this claim,

- (ii) the Government of Bombay desire Devolution Rule 15 to be modified as suggested, before the proposed revision of the Settlement is effected and the revenue which Bombay would receive from the Devolution Rule 15 as so modified to be taken into account in considering its share of the taxation of income.
- (iii) The difference between what Bombay would have received under a more equitable Devolution Rule 15 and the existing rule, since the Reforms, should be made good by a lump payment to Bombay.
- (iv) The modification of Devolution Rule 15 should take precedence of the remission of provincial contributions if both cannot be effected at once.

- (v) Further detailed consideration should be given to the question of dividing non-judicial stamps between Central and Provincial Governments.
- (vi) The proposed basis for distributing their share of the income-tax among the different provinces cannot be accepted in the absence of reliable figures. The basis should be determined after obtaining actual figures of personal assessed incomes of the different provinces and should be such as to compensate adequately provinces such as Bombay which derive a larger share of the tax from income assessed at higher rates than other provinces.
- (vii) The pie rate on the assessed income should be as high as possible and the fixed assignments as low as possible, or eliminated.
- (viii) The rate should be so fixed as to compensate the provinces for the prospective growth of revenue from the non-judicial stamps and for the loss of the right to increase it by means of provincial legislation.
- (ix) If immediate relief cannot be given to this Presidency by means of the modifications in the Devolution Rule 15 proposed in (ii) and (iii), its provincial contribution should be remitted temporarily.

12. In conclusion, I am to put forward for the consideration of the Government of India that in the event of these proposals failing to secure acceptance, it will be more equitable in any case that the India surplus in 1927-28 should be divided in arithmetical proportion to the amount of the outstanding contributions instead of according to the existing scale.

STATEMENT I.

BOMBAY.

Forecast showing the difference between share at 2.6 pias and 3.03 pias per rupee on total personal income-tax income *plus* personal super-tax income and receipts under non-judicial stamps and under Devolution Rule 15.

Personal income-tax income and personal super-tax income (assumed).	Share at 2.6 pias per rupee on column 1.	Share at 3.03 pias per rupee on column 1.	Receipts from non-judicial stamps (assumed).	Receipts* under Devolution Rule 15 (assumed).	Total of columns 4 and 5.	Difference between columns 2 and 6.	Difference between columns 3 and 6.
1	2	3	4	5	6	7	8
Crores.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.
69-18† Rs. . . .	Rs. 93.7	Rs. 109.3	Rs. 94.6†	Rs. 5.2†	Rs. 99.8	Rs. —6.1	Rs. 9.5
70	94.8	110.5	110	..	110	—15.2	0.5
75	101.6	118.4	110	3.1	113.1	—11.3	5.3
80	108.3	126.3	110	10.1	120.1	—11.8	6.2
85	115.1	134.2	110	17.2	127.2	—12.1	7.0
90	121.8	142.0	110	24.2	134.2	—12.4	7.8

* Figures in this column are worked out on the basis of the average for the three years 1922-23, 1923-24 and 1924-25 when the average total assessed income was 62.46 crores. For the same period the figures in column 1 given by the Government of India is 69.18 crores. Figures on this proportion have been worked out in this Forecast for future years and receipts under Devolution Rule 15 calculated.

† Average for 3 years 1922-23, 1923-24 and 1924-25.

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Government of India.

Settlement. Existing annual assignments on account of unified stamps and those under Devolution Rule 15 on account of income-tax would disappear.

2. These proposals do not commend themselves to His Excellency in Council. They are unlikely to produce in the case of Burma the additional elasticity in the Provincial revenue which is desired by the Government of India. It is *prima facie* improbable that the Local Government would benefit by the substitution of an assignment, based on the personal incomes of residents of the Province and supplemented by a fixed assignment, for the receipts from a growing source of revenue like non-judicial stamps, supplemented by an elastic assignment based on the excess of the assessed income of the year over the assessed income of 1920-21. Receipts from non-judicial stamps in Burma have of recent years shown a very satisfactory annual growth and the rate of expansion is likely to continue. It is open to the Local Government to increase from this source by careful administration and by raising the rates of stamp duty. Burma is primarily an agricultural country and a large share of the receipts from non-judicial stamps comes from the agricultural population. The general stamp revenue is benefited alike by the prosperity and the misfortunes of the agriculturists. Prosperity encourages the purchase of land; misfortunes necessitate its sale and mortgage. A vigilant District Officer can secure an appreciable increase in the general stamp revenue of his district by encouraging his subordinates to be watchful for evasions of the Stamp Law. It is right that the Provincial revenues should depend as largely as possible on the efficiency of the Provincial Administration. It is wrong to substitute for any portion of these revenues receipts which depend on the administration of a Central subject with which [the Local Government has nothing to do.

3. Non-judicial stamps were made a Provincial subject on the recommendation of the Committee on Financial Relations who "found no other means of securing a complete separation of the sources of revenue between the Provincial and Central Governments which would give an adequate revenue to certain Provinces." That Committee was "not disposed to see grave disadvantage in different rates of stamp duty in different Provinces, at least on some of the transactions for which duty has to be paid;" it remarked that "any uniformity which may be decided to be essential can always be secured by Central legislation," and it pointed out that "general and Judicial stamps are controlled by the same agency, and there is a good deal of miscellaneous work and outlay common to both." The disadvantages of the present arrangement as set out in paragraph 314 of the Report of the Indian Taxation Enquiry Committee are:—

- (1). "inconvenience in cases where an instrument stamped in a Province in which the stamp duty has not been increased is sought to be exhibited in another Province where it has been increased," etc.,

(2) the fact that several Provinces "lose a substantial portion of their legitimate revenue under this head as a result of provincialisation," as for example, in the case of the stamp duty on cheques and on share transfers. So far as Burma is concerned these disadvantages are theoretical rather than practical, and in any case they can be removed by Central legislation. His Excellency in Council would not object to a proposal that receipts from stamp duties prescribed by Central legislation and collected by means of unified stamps should be credited to Central revenues and that the resulting loss to Provincial revenues should be made good, not by an enhancement of the fixed assignment on account of unified stamps now received from the Government of India, but by an increase in the present assignment on account of the growth in incomes assessed to income-tax.

4. The Government of India propose that the Provinces should receive the proceeds of a flat rate of income-tax on personal assessable incomes from all sources of assessee's resident within the Province. It is presumed that if the Government of India were at any future time to raise the present limit of non-assessable incomes they would duly compensate Local Governments for the resulting loss to Provincial revenues. The personal incomes of the residents of a Province no doubt reflect the progress of those residents in well-being so far as any income-tax statistics can reflect them, but a better basis for calculation would be the whole of the assessed incomes, whatever the sources, which are earned in the Province. In Burma trade other than petty trade is nearly all in the hands of British firms whose headquarters lie outside the Province and of Indians whose Senior Partners live in other Provinces of India and the personal income of those resident in the Province forms a comparatively small part of the total income which is earned within the Province. An insignificant fraction of the shares of the Burma Oil Company, Limited, the Burma Corporation, Limited, the Bombay-Burma Trading Corporation, Limited and other large payers of income-tax is held by income-tax payers resident in Burma. The banking business of the country outside the large towns is practically monopolised by the Natankotai chetties from the Madras Presidency. Most of the capital employed in their business consists of profits earned in Burma but only a minor part of the chetties' income from Burma is assessed in this Province. The principals of the money lending firms reside in the Madras Presidency or in the Indian State of Pudukotta, and their personal income, where assessed to income-tax, is assessed in the Presidency. A large proportion of the rice trade of the Province is in the hands of Gujarati-speaking Indians from the Bombay Presidency; many of these are assessed to income-tax in Bombay. A considerable portion of the Import Trade is in the hands of the same class of Indians, and practically all the partners of these importing firms have their permanent residence in the Bombay Presidency or in Kathiawar. Their fortunes have been amassed

in Burma but the Province receives no credit from the income-tax which they pay.

5. The Government of India propose to make good the difference between the receipts from the flat rate of income-tax and the receipts from non-judicial stamps by a fixed assignment from Central to Provincial. Fixed assignments are objectionable in principle, especially when they are large, and it is inevitable that the amount of the assignment will be appreciable in the case of some Provinces. In the enclosure to your letter it is estimated that taking the average for the three years 1922-1925, personal incomes assessed to income-tax and super-tax in Burma, amounted to over Rs. 19 crores. The Governor in Council is not in a position to check this estimate but he believes that when actual figures have been obtained it will be found to be on the high side. On the assumption that the Government of India propose to adopt the same basic rate for all Provinces the Local Government is satisfied that Burma's share of the income-tax will require to be supplemented by a very large fixed assignment in order to make up for the loss of the receipts from non-judicial stamps. The necessity for a fixed assignment would disappear if the flat rate for calculating the income-tax were varied from Province to Province. In the opinion of His Excellency in Council it is no more objectionable to vary the rate than to vary the amount of the fixed assignment.

6. In paragraph 4 of your letter the Government of India remarked that "practical considerations and the requirements of equity" demand *inter alia* that the changes to be introduced in the Meston Award should be kept down to the minimum. The Local Government agrees that this condition is essential but it does not think that it should be held to preclude a modification of the Award necessitated by the correction of an error in the figures on which the Award was based. In the case of Burma, the Land Revenue receipts of the Province wrongly included the revenue from the Capitation Tax and the Land-rate in lieu thereof which are levied in Lower Burma and the Thathameda-tax which is levied in Upper Burma. The Indian Taxation Enquiry Committee has accepted the view of this Government (which has on more than one occasion been placed before the Government of India and which was also placed before the Meston Committee when it visited the Province) that these taxes should be converted into sources of local revenue and excluded from the Provincial Budget. A full statement of the case in respect of these taxes was placed before the Government of India in my letter regarding the resolution adopted by the Burma Legislative Council during the Session of September 1925 that the Export duty on rice and the Excise duty on petrol and kerosene oil should be made over to the Local Government in order *inter alia* to allow the Local Government to give effect to this recommendation of the Taxation Enquiry Committee. The Government of India have rejected the specific request made in my letter that the receipts from these sources of revenue should be assigned to the Local Government but I am to express the hope that they will see fit to take some other measure to rectify the wrong.

EXTRACT FROM THE PROCEEDINGS OF THE CONFERENCE OF FINANCIAL-
REPRESENTATIVES, 1926.

First Meeting.

*Recommendations of the Indian Taxation Enquiry Committee in relation
to the Meston Settlement.*

The Chairman explained the scheme outlined in the letter of the Government of India on the modification of the Meston Settlement and referred to the principal points raised by the local Governments in their replies.

The proposals briefly were :—

- (a) to transfer non-judicial stamps to the Central Government,
- (b) to re-imburse provincial revenues by means of the proceeds of a flat rate of income-tax on personal incomes from all sources, with a fixed assignment in adjustment of any deficit.

The main objections of the provincial Governments to the scheme were that it meant the substitution of fixed assignments for a portion of proceeds of stamp duties which constituted a growing source of provincial revenue and that it would remove from the control of provincial Governments an important sphere of taxation. In order to meet these difficulties he had suggested a division of non-judicial stamps under which only documents which were of a commercial or quasi-commercial character would be transferred to the Central Government, while the provinces would retain conveyances, mortgages, leases and other important revenue-yielding items. Bihar and Orissa desired that the provincial assignment should take the shape of a share of the Income-tax collected, but there are obvious objections to this proposal. For instance, if the Government of India were to reduce the rates of income-tax a loss of revenue would thereby be inflicted on provincial Governments; while, on the other hand, if the Government of India decided to raise the rates owing to a war or some other emergency, the provincial Governments would gain additional revenue without regard to actual requirements. The original intention was to apply the pie rate to the total personal assessable incomes *plus* personal super-tax incomes, but further examination of the question led to the conclusion that it would be preferable to base the assignment on personal incomes only.

* * * *

After discussion it was decided to constitute a Sub-Committee to consider the following points :—

- (1) whether the suggested division of stamp duties between the Central Government and the Provincial Governments (see Appendix I) was appropriate ;
- (2) whether it was possible to estimate the yield of the stamp duties to be centralised ;

- (3) whether the difficulties of allocating the companies' tax among the different provinces according to origin and domicile could be overcome ; and
- (4) whether a uniform pie rate would be preferable to a varying pie rate.

Report of the Sub-Committee appointed to examine certain questions arising out of the proposals of the Government of India to vary the Meston Settlement in respect of Non-Judicial Stamps and Income-tax.

The Committee was constituted for the following purposes :—

- (a) to examine the detailed proposals of the Central Government for the division between the Central and Provincial Governments of the stamp duties prescribed by Schedule I of the Indian Stamps Act, 1899 (Appendix A) ;
- (b) to report whether any estimate of the resulting distribution of stamp revenue was possible ;
- (c) to report on a statement (Appendix B) based on the latest figures received from Commissioners of Income-tax, showing personal income-tax incomes, the result of applying a three pie rate thereto, the loss to the Provinces of stamp revenue on the assumption that two-fifths of the total stamp revenue would become Central and the resulting fixed assignments ;
- (d) to consider whether the income of Companies assessed to Super-tax should be included in the income on which the calculation of the assignment shall be based.

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4. [*Ref. Para. 1 (a)*].—The Committee accepted the Central Government's proposals with the following modifications :—

- (1) *Article 5*.—Instruments falling under class (c) to be Provincial.
- (2) *Article 15*.—Instruments falling under this Article to be Provincial, unless they belong to a class which has been declared by the Central Government with the approval of Provincial Governments to be Central.
- (3) *Article 34*.—To be Provincial.
- (4) With the exception of Instruments covered by Articles 8 and 9, all Instruments falling under the Articles detailed in the List prepared by the Finance Department of the Government of India under the heading "Documents which may be Provincial or Imperial" to be Provincial.

Bombay and Bengal pointed out that by the inclusion of instruments falling under Articles 43 and 62 their Provinces would lose a very important source of potential revenue.

5. [*Ref. Para. 1 (b)*].—The majority of the members thought that it would not be possible to obtain estimates of any real value of the financial effect of distributing the receipts from stamp-duties between the Central and Provincial Governments. Bombay produced certain figures which indicated that the probable effect would be an equal division and it was suggested that in Bengal the result would be vary similar. United Provinces believed that not more than 25 per cent. of the Provincial Stamp revenue would be transferred to Central as a result of the division. The general view was that the proportions would vary greatly in the different provinces, although the Government of India's assumption that the Central share of the total stamp revenue would be roughly two-fifths of the whole might be not far from the mark.

6. [*Ref. Para. 1 (c)*].—Several members of the Committee expressed doubt regarding the correctness of the figures in column 2 of the Statement (Annexure B). It was explained that the accuracy of the figures could not be guaranteed and that the statement had been prepared merely to illustrate roughly the proposals of the Government of India and Mr. Loftus-Tottenham hopes that, more accurate figures would if possible be collected before any final distribution was made.

7. [*Ref. Para. 1 (d)*].—On the figures available Madras, Bombay, the United Provinces, the Punjab and the Central Provinces considered that the basis of assessment should be (a) personal incomes and not (b) the assessed income as defined in Devolution Rule 15 (2). Bengal and Burma were in favour of the latter basis and Bihar and Orissa and Assam were in favour of whichever alternative was the more profitable. The following figures were supplied by Mr. Loftus-Tottenham to show (in lakhs of rupees) the different results obtained by distributing 3½ crores on these two bases :—

Province.	Basis (a).	Basis (b).
Madras	43.19	44.03
Bombay	107.48	94.39
Bengal	74.48	86.42
United Provinces	32.71	24.43
Punjab	22.08	24.22
Burma	29.35	38.36
Bihar and Orissa	18.13	14.28
Central Provinces	15.89	13.93
Assam	6.09	9.34

8. The views of the members of the Committee were then taken on the question whether the rate to be applied to the assessed income should be uniform for all the provinces or should vary from province to province. It was pointed out that a varying rate would obviate the need for fixed assignments or, in the event of the Government of India deciding to sacrifice the additional revenue (estimated at some Rs. 60 lakhs) required to render fixed assignments unnecessary, the probability of dissatisfaction among the provinces which did not share in the additional amount distributed. Madras and the Punjab declared in favour of a uniform rate; the United Provinces and Burma in favour of a varying rate; the remaining provinces considered that they had not sufficient information before them to decide. Bombay remarked that on the figures available they would be prepared to accept a uniform graduated rate.

9. The Committee discussed the suggestion, thrown out by the Auditor-General in the course of the morning's meeting of the Conference, that in view of the probability that the Royal Commission to be appointed under section 84-A of the Government of India Act will examine the working of the Meston Settlement and of the delay which must be entailed by the attempt to obtain reliable figures and of the fact that the Government of India do not propose to introduce any change in the present Devolution Rule 15 until the provincial contributions have been extinguished, it is not worthwhile to upset the present arrangements. Bombay and Bengal maintained that immediate relief to some kind was required, but the other provinces felt that it would be advisable to make no change. Madras would not object to transfer the whole of the non-judicial stamp revenue in exchange for an increased assignment based on incomes assessed to income-tax, as originally proposed by the Government of India, but agreed with the majority in respect of the proposals as modified. It was pointed out that the introduction of Central non-judicial stamps as distinct from Provincial non-judicial stamps would probably inconvenience the public and that the proposal to give the Central Government either the whole or a share of the proceeds of stamp duties on instruments would involve divided control of the stamp administration which was one of the objections taken by the Meston Committee to the former alternative. A suggestion was made that uniformity of duty in respect of the instruments which it is proposed to include in the Central list could be secured by reserving them for Central legislation without crediting the duties to Central and that the Provinces could be compensated by assignments for any reductions which the Central Government considered it advisable to make in the duties on these instruments in the interests of trade.

APPENDIX A (to Report of Sub-Committee).

Division of stamp duties between the Central and Provincial Governments as proposed by the Government of India.

(The numbers of the articles are those in Schedule I of the Indian Stamp Act of 1899).

Imperial.

(a) Documents now reserved for Imperial legislation :—

1. Acknowledgment.
13. Bill of Exchange.
19. Share certificate.
21. Cheque.
28. Delivery order in respect of goods.
36. Letter of allotment of shares.
37. Letter of Credit.
47. Policy of insurance.
49. Promissory note.
52. Proxy.
53. Receipt.
60. Shipping order.

(b) Other documents which for administrative or other reasons should be taxed by the Central Government.

5. Agreement relating to sale of a bill of exchange, Government Security.
10. Articles of Association of a company.
14. Bill of lading.
15. Certain classes of bonds.
16. Bottomry bond, that is, an instrument by which the Master of sea-going ship borrows money on the security of the ship to enable him to preserve the ship or prosecute a voyage.
17. Instrument of Cancellation (to follow the instrument cancelled).
20. Charter party, that is, any instrument whereby a vessel or some specified principal part thereof is let for the specified purposes of the charterer.
24. Copy or extract (where the officer is under the Central Government).
25. Counterpart or duplicate (to follow original).
26. Customs bond.
27. Debenture.
34. Indemnity bond.
39. Memorandum of Association of a company.
43. Note or memorandum sent by the broker or agent to his principal intimating the purchase or sale on account of such principal.
44. Note of protest by the Master of a ship.
46. Instrument of partnership.

50. Protest of bill or note, that is, any declaration in writing made by a notary public or other person lawfully acting as such attesting the dishonour of a bill of exchange or a promissory note.
51. Protest by the Master of a ship, that is, a declaration of the particulars of a voyage drawn up by him with a view to the adjustment of losses, etc.
56. Respondentia bond, that is, an instrument securing a loan on the cargo laden or to be laden on board a ship and making repayment contingent on the arrival of the cargo at the destination.
59. Share warrant to bearer issued under the Indian Companies' Act, 1882.
62. Transfer of—
 - (a) Shares in a company ;
 - (b) debentures, marketable securities ;
 - (c) any interest secured by a policy of insurance, etc.
65. Warrant for goods.

Provincial.

2. Administration Bond including bonds given under Section 256 of the Indian Succession Act of 1865, Section 78 of the Probate and Administration Act of 1881, or Section 9 or Section 10 of the Succession Certificate Act of 1889.
4. Affidavit.
7. Appointment in execution of a power whether of trustees of property moveable or immoveable where made by any writing, not being a will.
11. Articles of Clerkship or contract whereby any person first becomes bound to serve as a clerk in order to secure admission as an attorney in any High Court.
12. Award.
15. Bonds (certain classes only).
17. Cancellation (if instrument is in this class).
18. Certificate of sale granted to the purchaser of any property sold by public auction by civil or revenue court by Collector or other revenue officer.
21. Copy of extract given by officer under the provincial Government.
25. Counter part or duplicate of documents included in this class.

- 30. Entry as an Advocate Vakil or Attorney on the roll of any High Court.
- 42. Notarial Act.
- 48. Power of Attorney, not being a proxy.

Documents which may be Provincial or Imperial.

- 3. Adoption deed.
- 6. Agreement relating to title deeds.
- 8. Appraisement or valuation made otherwise than under an order of the court in the course of a suit.
- 9. Apprenticeship deed.
- 22. Composition deed.
- 23. Conveyance.
- 29. Instrument of divorce.
- 31. Exchange of property.
- 32. Instrument of further charge, that is, an instrument imposing a further charge on mortgage property.
- 33. Gift.
- 35. Lease.
- 38. Letter of license, that is, an agreement between a debtor and his creditors that the latter shall, for a specified time, suspend their claims and allow the debtor to carry on business at his discretion.
- 40. Mortgage deed.
- 45. Partition.
- 51. Reconveyance of mortgage property.
- 55. Instrument of release, that is, an instrument whereby a person renounces his claim upon another person against any specified property.
- 57. Security bond or mortgage deed.
- 58. Settlement.
- 61. Surrender of lease.
- 63. Transfer of lease.
- 64. Declaration or revocation of trust.

APPENDIX B (to Report of Sub-Committee).

Province.	Personal Incomes (In Crores) (Super-tax incomes omitted).	Proceeds of 3 pies rate (In lakhs).	Loss in stamp Revenue by the transfer of non- judicial stamps to Central Government (In lakhs).	Fixed assignments. (In lakhs).
(1)	(2)	(3)	(4)	(5)
Madras	17.51	27.36	43.27	+15.91
Bombay	40.39	63.11	45.79	-17.32
Bengal	26.34	41.16	51.69	+10.53
United Provinces . . .	13.29	20.77	16.81	-3.96
Punjab	8.96	14.00	16.44	+2.44
Burma	11.39	17.80	13.51	-4.29
Bihar and Orissa . . .	7.09	11.08	8.92	-2.16
Central Provinces . . .	6.30	9.84	10.10	+2.26
Assam	2.78	4.34	2.77	-1.57
TOTAL .	1,34.05	2,09.46	2,09.30	..

NOTES.—Col. 2.—Revised figures based on three years' average.

Col. 3.—The figures represent the distribution by provinces of a total assignment of 2,09.46 lakhs representing the assumed less to Provincial Revenues of approximately two-fifths of their receipts from non-judicial stamps.

Col. 4.—These figures represent in each case approximately two-fifths of the provincial receipts from non-judicial stamps.

Col. 5.—The figures represent the difference between Cols. 3 and 4. They take no account of assignments under Devolution Rule 15 or of temporary assignments (e.g., of Customs duties).

Third meeting of the Conference held on the 17th November 1926.

The report of the Sub-Committee appointed on the 16th to consider the points arising out of the scheme for the revision of the Meston Settlement was read and the discussion on the subject resumed. The following general propositions were agreed to pending examination of the whole subject by the Statutory Commission :—

- (1) It is desirable in principle that certain of the stamp duties (broadly those suggested by the Finance Department of the

Government of India and accepted with slight modifications by the sub-committee) should become central sources of revenue, provided that the provinces are adequately compensated for the loss both of actual revenue and of potential increases of revenue.

- (2) It is desirable that a new formula should be found to replace Devolution Rule 15 of such a character as to give each province an interest in receipts from taxes on income which will reflect the growing prosperity of the province as measured by assessment, provided that the amount payable to each province should not be less than it would get under Devolution Rule 15. It was understood that the question of the assessment which should be adopted as the basis of the formula would remain open. The alternatives include the following :—
 - (a) total assessable incomes in each province ;
 - (b) personal incomes only, including dividends from companies, wherever situated, of assesses resident within the provinces;
 - (c) personal incomes *plus* incomes assessable to super-tax ;
 - (d) personal incomes *plus* companies' income.
 - (3) No modification ought to be made in the direction of increasing the sums payable out of the proceeds of central revenue to any particular province until the Government of India have first extinguished the provincial contributions. (Bombay dissented while Bihar and Orissa remained neutral.)
 - (4) It is not desirable to effect major changes in the Meston Settlement as regards the taxes allocated to central and provincial Governments respectively or as regards the relative position of one province to another. (Bombay and Bengal dissented and maintained their demand for a complete revision of the Settlement.) Bihar stated that they had never accepted the Meston Settlement as a satisfactory final arrangement, and referred to the last paragraph of their official letter as representing their views.
- Burma agreed provided that the question of the rice duty was not held to be a major change. Central Provinces and United Provinces asked that the question of the Famine Insurance Fund already discussed should not be excluded from prior consideration. Assam also asked that the question of the tea duty should remain open.
- (5) It is desirable to arrive at a settlement of questions 1 and 2 in such a way as to secure that as soon as the provincial contributions are extinguished the new formula regarding income-tax may come into force giving to each province an assignment in respect of income-tax varying with the income-tax assess-

ments of each year (the question on what assessments the formula should be based being left open) which will not be less than is sufficient to compensate it for any loss of stamp revenue and for the assignment which it would receive or expect hereafter to receive under Devolution Rule 15 as it stands, such assignment also if possible to absorb existing temporary assignments, if any. (Bombay agreed subject to the condition that in fixing the assignments, the fact that Bombay had suffered in a marked degree on account of the defective operation of Devolution Rule 15 should be taken into consideration. They maintained a right to payment of arrears under the rule, as it ought to have operated if the basis had been equitable).

- (6) It is desirable that the new formula should be uniform for all provinces if possible. But at the same time if the new formula is such as to give greater increases of revenue to some provinces than to others the advantage gained by one province over another should not be so great as seriously to disturb the balance established between province and province by the Meston Settlement.

1927.

LETTER FROM THE HON'BLE MR. A. F. L. BRAYNE, C.I.E., I.C.S., SECRETARY TO THE GOVERNMENT OF INDIA, TO ALL PROVINCIAL GOVERNMENTS, No. F. 11-XII—F., DATED SIMLA, THE 26TH SEPTEMBER 1927.

SUBJECT.—*Readjustments within the Meston Settlement.*

I am directed to refer to Mr. Jukes' letter No. F. 116 (V)-F./26, dated the 13th August 1926, on the above subject, in which the Government of India invited the opinions of Provincial Governments on the proposals—

- (a) to transfer non-judicial stamps to the Central Government ;
- (b) to re-imburse Provincial revenues by means of the proceeds of a flat rate of income-tax on personal assessable incomes from all sources (including dividends from companies, wherever situated) *plus* personal super-tax incomes of assesses resident within the province ; and
- (c) to make good the resulting Provincial deficits by means of annual fixed assignment from the Central Government which would remain unchanged indefinitely, the amounts of such assignments being so calculated as to place the Provinces in approximately the same financial position at the outset as if no change had been made in the Meston Settlement.

The objections raised to the scheme and the alternatives proposed by the Provincial Governments in their replies were examined at considerable length by a sub-committee of the Conference of Financial Representatives held in November 1926 and the conclusions that emerged from these discussions were embodied in a series of propositions which, subject to certain important reservation, were agreed to by the Conference, pending examination of the whole subject by the Statutory Commission. These conclusions may briefly be summarised as follows :—

- (1) Stamp duties on documents which are of a commercial or *quasi*-commercial character should be transferred to the Central Government, the Provinces to retain conveyances, mortgages, leases and other important revenue-yielding items ; and the Provinces should be adequately compensated for the loss of revenue from this source, actual as well as potential.
- (2) A new formula for the division of income-tax should be found to replace Devolution Rule 15 of such a character as to give each Province an assignment in respect of income-tax varying with the income-tax assessments of each year which will not be less than what is sufficient to compensate it for any loss of stamp revenue and for the assignments which it would receive or expect hereafter to receive under Devolution Rule 15 as it stands.
- (3) It is not desirable to effect major changes in the Meston Settlement as regards the taxes allocated to Central and Provincial Governments respectively or as regards the relative position of one Province to another.
- (4) No modification involving payments out of the proceeds of Central Revenues to any particular Province should be made in the Settlement until the Government of India have first extinguished the Provincial contributions.

2. I am now to explain the detailed proposals which have been formulated with reference to the principles indicated in these propositions. The Government of India have tentatively decided to accept the recommendations of the sub-committee regarding the centralization of commercial and *quasi*-commercial instruments, and they propose to give effect to them from the 1st April 1928. The instruments which are to be centralized are shown in Annexure A to this letter.

3. The division of the income-tax, which I am next to deal with has presented very great administrative difficulties in almost every country in which attempts have been made to distribute the proceeds of this tax on a rational basis. The problem was investigated by the League of Nations with the assistance of eminent economists in connection with the avoidance of double income-tax. It has been examined at great length with special reference to the peculiar conditions of India by the Taxation Enquiry Committee in paragraphs 528-538 of their report.

The Committee made an attempt to apportion the proceeds of the tax according to the principles of the origin of the income and the domicile of the assessee, but they found the practical difficulties almost insuperable and they came to the conclusion that the only possible method was to base the distribution primarily on the principle of domicile, which also underlies the final conclusion of the committee of experts appointed by the League of Nations. They recommended that the Provinces should be given the proceeds of a graduated rate on personal incomes of assesseees from all sources, including dividends from companies wherever situated. In partial recognition of the principle of origin, they also suggested that each Province should be given a *small* portion of the receipts from the super-tax on companies. The Government of India examined in great detail the latter proposal, but they found that the preliminary adjustment of the collections of each Province to meet the case of profits earned in several Provinces but taxed in only one, which is essential for the distribution of the super-tax on companies on an equitable basis, could only be made on assumptions of an extremely hypothetical character. The Committee themselves did not make any claim that their scheme had any pretensions to scientific accuracy, they recommended it primarily on the ground that "it is easily comprehensible bearing its merits and demerits on its face, that it can be applied directly by the use of returns already in use and that it gives as much recognition to the principles laid down by economists as is possible in the conditions obtaining in India." The Government of India, therefore, examined various alternatives and provisionally suggested that the simplest plan would be to give the Provinces the proceeds of a flat rate on personal incomes *plus* personal super-tax incomes. They recognised clearly at the time that this formula was in some respects illogical, since the super-tax in India is a distinct tax and is levied *in addition* to the income-tax on the portion of the income exceeding Rs. 50,000 or in the case of Hindu Undivided Families Rs. 75,000. They, however, accepted it primarily on the supposition that it would give the industrial Provinces of Bengal and Bombay, where most of the super-tax is collected, a larger and more equitable portion of the income-tax than they would get if only personal incomes were taken as the basis, as suggested by the Taxation Enquiry Committee. Subsequent statistical investigations, based on the actual figures of personal incomes and personal super-tax incomes, however, have shown that Bombay and Bengal, so far from benefiting by the adoption of this formula, would actually lose owing to the fact that the initial pie rate would be lower if the super-tax incomes were added to the ordinary incomes. This is a result of the fact, established by statistics, that, during a period of improving trade, super-tax incomes in India do not invariably increase in a higher proportion than personal incomes. After fully considering the alternatives the Government of India have, therefore, finally decided to adhere to the conclusion, which was provisionally announced by the Hon'ble the Finance Member at the Conference of Financial Representatives held in November last, that it would be preferable to base the assignment on personal incomes only.

4. The next step is to determine a pie rate to be applied to personal incomes which will give to each of the Provinces an amount not less than the total of—

- (a) the revenue which the Provinces will lose if the instruments specified in Annexure A were centralised ;
- (b) the average assignments which the Provinces receive under Devolution Rule 15 as it stands ; and
- (c) the amounts of revenue assignments of a recurring nature (other than those which are in the nature of payments for specific services rendered) which are made to the Provinces under present arrangements. These are generally excise assignments.

Since the revenue from non-judicial stamps is classified in the Provincial administration reports according to the kind of stamp used and not, in all cases, according to the nature of the documents, it has proved a difficult task to obtain accurate estimates of the revenue from stamp duty on instruments proposed for transfer to the Central Government. The figures in column 5 of the statement in Annexure B are based on such information as the Provincial Governments have been able to supply and on independent calculations made by the Central Board of Revenue. It will be observed from the statement that the proceeds of income-tax at the rate of three pies in the rupee on personal incomes would, except in the case of Assam, cover the loss to the Provincial Governments which would result from the adoption of the proposals for the centralisation of certain stamps and for the abolition of the assignments under Devolution Rule 15 and other revenue assignments. In the case of Burma, also, if the budget estimate of the assignments under Devolution Rule 15 for 1927-28 were adopted as the basis of calculations, there would be a slight deficit. I am, however, to point out that both in the case of Burma and Assam, the comparatively large assignments under this rule have followed not from any marked expansion of non-agricultural income, but from certain fortuitous circumstances. The income of tea companies in Assam forms the major portion of the assessed income in that Province. These companies were assessed to income-tax for the first time *after* 1920-21, which is the basic year adopted for the calculations under Devolution Rule 15. The comparatively large assignments which Assam has enjoyed are therefore due almost entirely to a change in the law of income-tax. In Burma, on the other hand, until a comparatively recent date there existed no properly organised machinery for the assessment of income-tax outside Rangoon city. With the extension of the activities of the Income-Tax Department to the mofussil districts in this Province, the assignments under Devolution Rule 15 have increased in a marked degree. In the case of Bengal, while the initial benefit is not very considerable on the statistics adopted in Annexure B, it must be realised that the standard of income-tax assessment is much lower than it ought to be. The Central Board of Revenue are engaged in further efforts to improve the efficiency of the income-tax administration

in Bengal and this, together with the general improvement in trade, will enable the Province to enjoy a much larger and increasing benefit from the arrangement proposed. The Government of India propose that, if in the case of any Province the proceeds of the three pie rate are less than the compensation (calculated on the figures of the last three years) which is due to the Province under the readjustment now contemplated, the difference will be made good by means of an assignment from Central revenues, until the question of the future financial relations between the Central Government and the Provincial Governments has been settled after the enquiry by the Statutory Commission.

5. The Government of India would propose to take advantage of this opportunity to remove certain minor fiscal anomalies which, though of a comparatively trivial character from the point of view of revenue, involve general principles to which they attach very great importance. Court fees are now levied under the Indian Court Fees Act, 1870, on certain classes of documents relating to proceedings before officers in the Customs, Income-tax and Salt Departments of the Government of India. A list of such documents is given in Annexure C to this letter. Since a fee is essentially in the nature of a payment for services rendered, little justification exists for the levy by Provincial Governments of a charge for service rendered by officers directly under the Central Government. The Government of India propose to abolish these fees with effect from the 1st April 1928. It would, of course, be open to them to revive these court fees as fees payable to the Central Government by a special Act of the Central legislature, if experience showed this to be desirable later.

6. I am also to refer in this connection to the export and import duties levied under various Forests Acts. Under section 3 of the Burma Forests Act of 1902, 'forest royalties,' which are of the nature of export duties are levied on rubber, lac, kalaw seeds, sunletthe, wild birds, etc. These duties are actually collected by the Imperial Customs officers. The revenue from these royalties in the years 1924-25 and 1925-26 was Rs. 4.95 lakhs, and Rs. 4.62 lakhs, respectively. Under the powers conferred by section 39 of the Indian Forests Act of 1878, local Governments have also in many cases, with the previous sanction of the Governor General in Council, levied import duties on timber entering their territories from outside British India. The revenue from these import duties in Bombay and United Provinces amounted on an average to Rs. 16,000 and Rs. 38,000, respectively, during the last three years. In the case of Burma, the principal justification for this practice lies apparently in the fact that the geographical features of the Province render it difficult to collect forest royalties in any other manner, and the Government of India do not propose that the power given under section 3 of the Burma Forests Act of 1902 to impose these forest royalties should be withdrawn under present conditions. In the case of the other Provinces affected, I am to suggest that the administrative justification for the continuance of the import duties should be re-examined. The Government of India consider it desirable to delete from the Indian Forests Act and from the Provincial Forests Acts the powers given to local Governments to levy

import duties on timber entering their territories from outside British India, unless such a course would cause serious administrative inconvenience. If the local Governments, except Burma, agree to the abolition of these duties, the loss of revenue thus entailed will be taken into consideration in connection with the revision of the present settlement.

7. The proposals on which I am to invite the opinions of the Provincial Governments may briefly be summarised as follows :—

- (1) Stamp duties on the documents specified in Annexure A should be transferred to the Central Government.
- (2) The Provinces should be given a share of the income-tax at the rate of three pies in the rupee on personal assessable incomes from all sources of assessee's resident within the Province.
- (3) The assignments under Devolution Rule 15 and other revenue assignments, which are not in the nature of payments for specific services rendered should be abolished.
- (4) The Indian Court Fees Act, 1870, should be amended so as to abolish the fees on all documents relating to proceedings before officers of the Income-tax, Salt and Customs Departments of the Government of India.
- (5) The import duties levied under the Forest Acts on timber coming into a Province from outside British India should also be abolished.
- (8) If, in the case of any Province, the proceeds of the three pie rate are less than the loss of revenue from (1), (3), (4) and (5), the difference should be made good by means of an assignment from Central Revenues until the question of the future financial relations between the Central Government and the Provincial Governments is settled after enquiry by the Statutory Commission.

It will be observed from the statement in Annexure B that the proposed readjustment is likely to result in an initial sacrifice by the Central Government of nearly Rs. 65 lakhs (without allowing for further loss resulting from a possible reduction of the stamp duties on particular instruments in certain Provinces, designed to secure uniformity). Subject to the approval of the Secretary of State the Government of India propose to give effect to the revised settlement with effect from the 1st April 1928, provided their financial position then permits of the final extinction of the Provincial contributions and also of the sacrifice of revenue involved in this and other schemes under contemplation. I am to request that a reply to this letter may be sent to the Government of India before the 1st November next so that it may be possible to discuss these proposals at the next Conference of Financial Representatives.

ANNEXURE A.

INSTRUMENTS THE STAMP DUTIES ON WHICH WILL BE CREDITED TO THE
CENTRAL REVENUES.

*(The numbers of the articles are those given in Schedule I of the Indian
Stamp Act of 1899).*

1. Acknowledgment.

5. (a) & (b) Agreement relating to sale of a bill of exchange, Government security or company shares.

8. Appraisement or valuation made otherwise than under an order of the court in the course of a suit.

9. Apprenticeship deed.

10. Articles of Association of a company.

13. Bill of exchange.

14. Bill of lading.

16. Bottomry Bond, that is, an instrument by which the master of a sea-going ship borrows money on the security of the ship to enable him to preserve the ship or prosecute a voyage.

17. Instrument of cancellation (to follow the instrument cancelled).

19. Share certificate.

20. Charter party, that is, any instrument whereby a vessel or some specified principal part thereof is let for the specified purposes of the charterer.

21. Cheque.

24. Copy or extract where the officer is under the Central Government.

25. Counterpart or duplicate (to follow original).

26. Customs Bond.

27. Debenture.

28. Delivery order in respect of goods.

36. Letter of allotment of shares.

37. Letter of credit.

39. Memorandum of association of a company.

43. Note or memorandum sent by a broker or agent to his principal intimating the purchase or sale on account of such principal.

44. Note of protest by the master of a ship.

46. Instrument of partnership.

47. Policy of insurance.

49. Promissory note.

50. Protest of bill or note, that is, any declaration in writing made by a notary public or other person lawfully acting as such attesting the dishonour of a bill of exchange or a promissory note.

51. Protest by the master of a ship, that is, a declaration of the particulars of a voyage drawn up by him with a view to the adjustment of losses, etc.

52. Proxy.

53. Receipt.

56. Respondentia bond, that is, an instrument securing a loan on the cargo laden or to be laden on board a ship and making repayment contingent on the arrival of the cargo at the port of destination.

59. Share warrant to bearer issued under the Indian Companies Act, 1882.

60. Shipping order.

62. Transfer of—

(a) shares in an incorporated company or other body corporate ;

(b) debentures, marketable securities ;

(c) any interest secured by a policy of insurance, etc.

65. Warrant for goods.

ANNEXURE B.

[In lakhs of rupees.]

Province.	Personal incomes assessed to income-tax. (a).			Estimate of Stamp revenue from Stamps to be centralised (c).	Assignment under Devolution Rule 15. (Average of last 2 years).	Other revenue assignments.	Total of columns 5, 6 and 7.	Income-tax on personal incomes at 3 ples in the rupee.
	1925-26.	1926-27.	Average of 2 years.					
1	2	3	4	5	6	7	8	9
Madras . . .	19.42	20.53	19.08	26.81	2.02	..	29.76	31.22
Bombay . . .	40.00	37.09	38.85	38.00	..	..	38.00	60.70
Bengal . . .	28.74	29.46	29.10	42.00	..	..	42.00	45.47
United Provinces	13.89	13.67	13.78	7.00	.01	(b) .62	7.63	21.53
Punjab . . .	10.15	12.01	11.53	8.00	2.86	(b) 6.07	17.83	18.02
Burma . . .	13.25	11.78	12.51	12.00	7.41	..	19.41	19.55
Bihar and Orissa	7.45	8.06	7.75	1.50	2.48	..	3.98	12.11
Central Provinces	6.76	7.27	7.02	2.00	1.83	..	3.83	10.07
Assam . . .	3.30	3.10	3.25	.30	5.41	..	5.71	5.08

(a) These figures were specially obtained from the Commissioners of Income-tax.

(b) Assignment for loss of still head duty.

(c) Includes assignment on account of unified stamps.

ANNEXURE C.

INDIAN COURT FEES ACT, 1870.

Schedule I, Article 6.—These documents will become liable to stamp duty under the Indian Stamp Act, 1899, when the court fee is abolished.

Schedule I, Article 9.—This applies to the proceedings or orders issued by all officers in the Customs, Income-tax and Salt Departments.

Schedule II, Article 1 (a).—Customs officers specifically mentioned in clause (a) of Article (1). The term "Executive Officer" in paragraph 4 of this clause includes officers in the Income-Tax and Salt Departments.

Schedule II, Article 1 (e).—Under the Sea Customs Act of 1878 and the Income-tax Act of 1922, the Central Board of Revenue is a "Chief Controlling Executive Authority" and under the Salt Act of 1882 the Commissioner of Northern India Salt Revenue is a "Chief Controlling Executive Authority."

Schedule II, Articles 10(a) and 11 (a).—The term "Executive Officer" in these Articles includes all Customs, Income-tax and Salt Officials.

Schedule II, Articles 10 (e) and 11 (b).—These apply to the Central Board of Revenue or Commissioner of Northern India Salt Revenue, as the case may be.

FROM THE FINANCIAL SECRETARY TO GOVERNMENT, CENTRAL PROVINCES,
No. C. 101/823-B.—X, DATED PACHMARHI, THE 15TH OCTOBER
1927.

In reply to your letter No. F. 11-XII-F., dated 26th September 1927, I am directed by the Governor in Council to say that this Government accepts the proposals outlined in paragraph 7 of the letter under reference.

FROM G. T. BOAG, ESQ., I.C.S., SECRETARY TO THE GOVERNMENT OF
MADRAS, No. 32383-ACCTS.—5, DATED FORT ST. GEORGE, THE 29TH
OCTOBER 1927.

SUBJECT.—*Re-adjustments within the Meston Settlement—Reference letter from the Government of India, Finance Department, No. F.-11-XII-F., dated the 26th September 1927, and telegrams dated the 8th and 13th October 1927.*

In reply to the letter referred to above, I am directed to state that the Madras Government accept the several proposals, made by the Government of India which are summarised in paragraph 7 of their letter.

2. With reference to paragraph 5 of the letter, I am to state that the loss to Madras Provincial revenues on account of the proposed amendment of the Indian Court Fees Act so as to abolish the fees on all documents relating to proceedings before officers in the Customs, Income-tax and Salt Departments of the Government of India, will amount to about Rs. 20,000 per annum.

As regards paragraph 6 of India's letter, I am to state that no import duties under the provisions of the Forest Act are levied by the Madras Government on timber entering their territories from outside British India.

3. The Government of Madras note that the Government of India propose to give effect to the revised settlement with effect from the 1st April 1928, provided their financial position then permits of the final extinction of the Provincial contributions and also of the sacrifice of revenue involved in this and other schemes under contemplation.

FROM P. C. TALLENTS, ESQ., I.C.S., SECRETARY TO THE GOVERNMENT OF BIHAR AND ORISSA, NO. 10680-F., DATED PATNA, THE 23RD OCTOBER 1927.

I am directed to refer to Mr. Brayne's letter No. F.-11-XII-F., dated the 26th September 1927, and to say that the opinion of the Government of Bihar and Orissa on the six points enumerated in paragraph 7 is as follows :—

- (1) The local Government have no objection to the transfer to the Central Government of the stamp duties on the documents specified in Annexure A.
- (2) The local Government agree that for the Central Government to assign to each province a share of the income-tax at the rate of 3 pies in the rupee on personal assessable incomes from all sources of assesses resident within that province is a fair method of distributing between the provinces concerned the revenue which the Government of India propose to make over to them.
- (3) If effect is given to this proposal the local Government agree to the abolition of the assignments under Devolution Rule 15 and of the revenue assignments which are not in the nature of payments for specific services rendered. In this connexion I am directed to say that the local Government do not desire to press the objection taken in my letter No. 3002-F.R., dated the 1st September 1927, written before Mr. Brayne's letter was received, regarding the withdrawal of the assignment for the refund of customs duty on Government stores.
- (4) The local Government have no objection to the amendment of the Indian Court Fees Act, 1870, so as to abolish the fees on all documents relating to proceedings before officers of the Income-tax, Salt and Customs Departments of the Government of India.
- (5) No import duty is levied under the Forest Act on timber brought into Bihar and Orissa from outside British India. The local Government have no objection to the abolition of such duties.

- (6) It appears to be certain that in the case of Bihar and Orissa the proceeds of the 3 pies rate will substantially exceed the loss of provincial revenue that will result from the above proposals. This Government are not directly interested in the method of making good the deficits in the case of other provinces. They see however no objection to the Government of India's proposal.

FROM H. W. EMERSON, ESQ., C.I.E., C.B.E., I.C.S., SECRETARY TO
GOVERNMENT, PUNJAB, FINANCE DEPARTMENT, No. 27367-B.,
DATED LAHORE, THE 31ST OCTOBER 1927.

SUBJECT.—*Re-adjustments within the Meston Settlement.*

I am directed to refer to Mr. Brayne's letter No. F.-11/XII-F., dated the 26th September 1927, on the subject, and to convey the views of the Governor in Council on the specific proposals which are summarised in para. 7 of the letter.

2. On the understanding that Provincial Governments will be adequately compensated for any loss of revenue that may occur, the Governor in Council has no objection to urge against the transfer of the stamp duties on the documents specified in Annexure 'A' from the Provincial Government to the Central Government; or against the amendment of the Indian Court Fees Act with the object stated in para. 5 of the letter; or against the abolition of the import duties on timber as proposed in para. 6 of the letter.

3. I am to say, however, that he is unable to regard as equitable the change in the Meston Settlement which it is proposed to make in order to compensate the various provinces for the losses incurred. In the first place, he is not satisfied that the methods of calculation adopted adequately represent the financial effects that would follow the adoption of the proposals. He observes that the figures given in columns 4 and 6 of Annexure 'B' are based on the averages of two years only and he does not consider that a period of two years is sufficiently long on which to base proposals of so important a character. The data is not available by which the figures in column 4 of the Annexure can be checked, but the figure for the Punjab in column 6 is evidently the average of the two years 1924-25 and 1925-26, when the assignments amounted to 1.90 and 3.82 respectively. The assignment in 1924-25 was in fact much less than in any year since the Reforms and the average assignment is not less than Rs. 4 lakhs.

In the second place, the Governor in Council is unable to understand the reasons for the inclusion in the proposed settlement of the "other revenue assignments" shown in column 7 of the Annexure. While he is prepared to admit that there might be some advantage in merging such assignments into a general settlement if they were common to all provinces, and if a settlement could be reached which would leave the relative position of provinces practically unchanged he can see no justifi-

cation for their inclusion when they are peculiar to two provinces, in one of which the amount is small, and when their inclusion, instead of redressing the inequalities of the settlement, has the contrary effect of accentuating them. It would almost appear that they have been included in order to make good to the Government of India, at the expense mainly of the Punjab, some portion of the sacrifice of revenue which they propose to distribute to other provinces.

4. These, however, are matters of detail. A general ground of objection, and one to which the Governor in Council attaches much importance, is the fact that the proposals go far beyond the immediate objects to be attained and involve a modification of the Meston Settlement with results that are very unequal for different provinces. According to the figures given in Annexure 'B,' the settlement proposed will result in a gain of Rs. 22 lakhs to Bombay, of 14 lakhs to United Provinces, of 8 lakhs to Bihar and Orissa, of 7 lakhs to Central Provinces, of 3 lakhs to Bengal, with the prospect of a rapid increase, and of 1 lakh to Madras. Burma, Assam and the Punjab, on the other hand, will gain nothing. The settlement will involve an initial sacrifice by the Government of India of Rs. 65 lakhs, and while the Governor in Council appreciates their willingness to make this sacrifice, he is strongly of the opinion that the distribution of surplus resources by the Central Government should be made in such a manner as to leave practically unchanged the relative financial position of the various provinces, and that it should not be made in such a way as to give marked preference to certain province. In particular, he is unable to appreciate the reasons for the preference which it is proposed to show to Bombay, or the principles on which it can be supported.

5. While, therefore the Governor in Council is prepared, to accept the proposals contained in sub-para. (1), (4) and (5) of para. 7 of the letter under reply, he is of the opinion that any consequential financial adjustments should be strictly confined to the grant of the necessary compensation to the various provinces, and, that therefore, since no other means of settlement appear to be practicable at the present time, the compensation should take the form of cash assignments. He considers that no other change should be made in the Meston Settlement, which should be left for examination by the Statutory Commission, to be appointed under section 84 (4) of the Government of India Act and before which the different provinces will presumably be given an opportunity of presenting their cases.

FROM G. WILES, ESQ., C.I.E., I.C.S., SECRETARY TO THE GOVERNMENT OF BOMBAY, FINANCE DEPARTMENT, No. 5029—7616-A., DATED POONA, THE 1ST/2ND NOVEMBER 1927.

I am directed to reply to Mr. Braync's letter No. F.-11/XII-F., dated the 26th of September last. The letter deals with two proposals :—

- (a) the transfer of the revenue from certain heads of non-judicial stamps to the Central Government ;

- (b) reimbursement of provincial revenues by means of a flat rate on income-tax on personal assessable incomes.

The Government of India have now calculated that the revenue from stamp duties, which it was agreed in last year's conference to credit to central revenues, will amount to 38 lakhs; and they put forward the proposal that a flat rate of 3 pies on personal assessable incomes from all sources of assessee's resident within the province should be given to the provinces. Further minor proposals are made to abolish existing assignments, and certain court fees and duties.

2. In regard to the minor proposals contained in sub-sections 3 and 4 of paragraph 7 of Mr. Brayne's letter, I am to say that the Government of Bombay accept these proposals. In regard to the proposal to abolish duties on timber and other forest produce, I am to say that the Government of Bombay will address the Government of India separately on this question. The subject does not seem germane to the present discussion, and there seems no particular reason why it should be introduced into it. On the major proposals I am directed to make the following comments.

3. In regard to the figure of 38 lakhs, the estimated figure of the stamp revenue to be surrendered, I am to say that the Government of Bombay wish to be enlightened further regarding the method by which the figure has been arrived at. In our letter No. 5007-A., dated 19th May 1927 we divided the instruments concerned into two classes:—

- (a) documents now reserved for central legislation; and
- (b) other documents which for administrative and other reasons should be attached to the Central Government.

The estimate of the revenue in class (a) was in

1924-25	35½ lakhs, and in
1925-26	32½ lakhs.

and we stated that the Superintendents of Stamps reported that they had no means of estimating receipts from class (b). The estimate of 38 lakhs now given by the Government of India implies that the total revenue estimated to be received from class (b) does not exceed from 3 to 5 lakhs. In the absence of any detailed statement it is inevitable for the Government of Bombay to feel doubt about the accuracy of the estimate.

4. I come now to the question of "personal incomes." Mr. Brayne's letter estimates the average of personal incomes assessed to income-tax for the past two years at 38 crores. No information is given in Mr. Brayne's letter as to the method followed in calculating this figure; and I am instructed to put forward certain considerations which have led the Government of Bombay to believe that the calculations cannot be accepted. I attach a statement containing for the three years 1923-24 to 1925-26 the figures of personal incomes as given by the Government of India, and the figures of income as given in the Income-Tax returns Nos. III and IV. It will be seen that in 1923-24, the total assessed

income was 216 crores, while the personal income as calculated by the Government of India was 126 crores. In 1924-25 the figures are 189 and 132 crores; and in 1925-26 197 crores and 143 crores. (It may be noted in passing that in 1923-24 the figure of personal incomes was very considerably less than the income given in return No. IV, a fact which is explicable on the assumption that the incomes given in return No. IV must all be "personal income"). In the next place there is a difference between the total personal income and the total assessed income of not less than 90 crores in 1923-24; 57 crores in 1924-25, and 54 crores in 1925-26. Now if we follow the definition of "personal income" which was given by the Taxation Enquiry Committee, the figures of personal income should be those calculated from the returns submitted under section 22 (2) of the Income Tax Act; and in consequence the total of the personal incomes of the provinces should be equal to the total assessed incomes as given in returns III and IV after making allowance for the incomes of foreigners and undistributed profits. It seems open to grave doubt that the differences of 90, 57 and 54 crores, which I have given above, should be accounted for entirely by the income of foreigners and undistributed profits.

5. This illustrates the difficulty which the Government of Bombay have in arriving at an opinion on the proposals put forward. The figure of personal income as calculated by the Government of India is at the most 80 per cent. and at the worst 70 per cent. of the total assessed income in the years for which the Government of India have given as figures and it is evident that in better years the percentage would be even less. On the one side, therefore, we have a doubtful figure for the income to be surrendered by the local Government of 38 lakhs. It may be added that this figure apparently ignores the prospect of increasing revenue under this head from items such as the taxation on stock exchange transactions which have been recommended by the Taxation Enquiry Committee and to which the representatives of this Government drew special attention at the time of the discussion last year. On the other side we have extremely doubtful calculation of the figure of "personal incomes."

6. In the opinion of the Government of Bombay this difficulty of calculating the tax derived from personal incomes to be recurring; and always to be a bone of contention between the Central Government and the provinces. And it must not be forgotten that the administration of Income Tax is entirely under the control of the Central Government. I am to say, therefore, that the Government of Bombay consider it to be essential, before they can agree to these proposals, that a satisfactory method of calculating personal incomes should be determined; and they prefer the alternative, which will avoid the possibility of constantly recurring friction, of basing the distribution of the income tax, not on personal incomes, but on total assessed income. It may indeed be claimed that this will unduly favour the industrial provinces at the expense of the agricultural provinces; but it may be answered that the

benefit is not great and is more than off-set by the disability under which the industrial provinces have suffered since the introduction of the Meston Settlement.

7. On the question of the proposed flat rate of 3 pies, I am instructed to repeat the proposal made last year by the Government of Bombay that the share of the provinces should be calculated not on a flat pie rate, but on a graduated pie rate as recommended by the Taxation Enquiry Committee. It is an admitted fact that only by a graduated pie rate can industrial provinces have a fair share in the growing prosperity of their own industries.

8. Finally the Government of Bombay would press for a share in the super-tax as being the only way in which the industrial provinces can fully share in the prosperity of their province. And in this connection I am to point out that, while in 1926-27 the super-tax was 72 lakhs, in 1921-22 it amounted to not less than 347 lakhs. It should not be difficult to devise a method of a graduated rate similar to that which we have recommended in the case of income-tax.

9. The Government of Bombay find it necessary to refer again to what they said in their letter last year in bringing to the notice of the Government of India the acute financial position of this province. Since then the Accountant General and the Auditor General have again commented on the inability of the Bombay Government to meet the whole of their statutory obligations from their ordinary net revenues. In revising the Accountant General's report, the Finance Department of this Government has come to the conclusion that they are working under a permanent revenue deficit of not less than 40 lakhs. Part of this will indeed disappear with the final remission of the provincial contribution, but the province will still be left with a deficit and with no margin whatever for the expansion of nation building activities. They cannot avoid the conclusion that the proposal of the Government of India to give a flat rate of 3 pies on personal assessable incomes, the total of which is so much less than the figure of total assessed incomes, is unlikely to prove satisfactory.

Statement showing personal income figures of Government of India, assessed income under Return III, Return IV and total assessed income.

	1923-24.				1924-25.				1925-26.			
	Personal income figures of Govt. of India.	Return IV.	Return III.	Total Return III & IV.	Personal income figures of Govt. of India.	Return IV.	Return III.	Total Return III & IV.	Personal income figures of Govt. of India.	Return IV.	Return III.	Total Return III & IV.
Madras	15,73	24,69	4,11	28,80	17,41	19,46	3,42	22,88	19,42	21,03	3,63	24,66
Bombay	40,53	39,30	18,83	58,13	40,05	39,58	0,62	49,20	40,60	39,08	8,86	47,94
Bengal	25,33	26,17	figures not available.		24,94	25,08	22,05	47,13	28,74	25,70	25,60	51,30
United Provinces	12,80	11,20	2,96	14,16	13,19	11,23	2,19	13,42	13,89	11,72	2,22	13,94
Punjab	7,62	13,47	90	14,37	9,11	12,31	67	12,98	10,15	12,95	1,06	14,01
Burma	10,08	11,90	6,89	18,79	10,83	14,51	7,81	22,32	13,25	15,92	8,54	24,46
Bihar and Orissa	6,62	8,04	18	8,22	7,20	7,92	28	8,20	7,45	7,80	20	8,00
Central Provinces	5,59	7,24	1,14	8,38	6,54	6,80	97	7,77	6,76	6,79	78	7,57
Assam	2,21	2,90	1,89	4,79	2,75	3,23	2,44	5,67	3,30	3,52	1,99	5,51
TOTAL	1,26,51	1,44,91	71,45	2,16,36	1,32,02	1,40,12	49,45	1,89,57	1,43,56	1,44,51	52,88	1,97,39

FROM J. A. WOODHEAD, ESQ., I.C.S., SECRETARY TO THE GOVERNMENT OF BENGAL, NO. 6681-F.B., DATED CALCUTTA, THE 7TH NOVEMBER 1927.

Readjustment of Revenue between Central and Provincial Governments within the Meston Settlement.

I am directed to acknowledge the receipt of your letter No. F. 11-XII—F., dated the 26th September 1927. The Government of India in Mr. Juke's letter No. F. 116 (V)-F.—26 of the 13th August 1926, acting on the recommendations of the Indian Taxation Enquiry Committee as to the theoretical correct distribution of the proceeds of taxation between Imperial and Provincial, made certain provisional proposals in connection with the transfer of non-judicial stamps to the Central Government and the re-imbursement to the provincial Governments of the loss in revenue sustained by that transfer. In view of the criticisms made and the objections raised to the scheme as then formulated, the Government of India have re-examined the subject, and in your letter under reference the opinion of the local Government is sought on the final proposals of the Government of India.

2. Before dealing with the specific proposals on which the opinion of the local Government is desired, I am directed to suggest that the sequence of events and the summary of the conclusions, as described and stated in paragraph 1 of your letter under reference, are not strictly accurate. The Sub-Committee of the Conference of Financial Representatives, held in November 1926, did not consider the objections raised to the original scheme and the alternatives proposed by provincial Governments in their replies to Mr. Juke's letter No. F. 116 (V)-F.—26 of the 13th August 1926. The Government of India had, prior to the Conference, revised their proposals in the light of the severe criticisms to which the original scheme had been subjected by the provincial Governments, and the Sub-Committee was appointed not to examine these objections and alternatives, but to examine certain questions arising out of the revised proposals of the Government of India as detailed on pages 3 and 13 of the proceedings of the Conference of Financial Representatives. It is not, therefore, strictly accurate to state, as has been stated in the letter under reference, that the Sub-Committee examined at considerable length the objections raised and the alternatives proposed by the provincial Governments. I am also to suggest that the conclusions which were embodied in a series of propositions did not emerge from the discussions of the Sub-Committee or the Conference. This series of propositions was placed before the Conference for the first time on the 17th November 1926, and it was understood that they embodied the views of the President of the Conference. They were discussed by the Conference, and, subject to very important reservations made by certain provincial Governments, were agreed to. General proposition No. 2, as agreed to by the Conference, laid down that it was desirable that a new formula should be found to replace Devolution Rule 15 of such a character as to give each province an interest in receipts from taxes on income

which will reflect the growing prosperity of the province as measured by assessment. In summarising the conclusions the letter from the Government of India omits all reference to this very important conclusion and elevates the proviso to general proposition No. 2 to the position of the chief characteristic of the new formula. It is true that general proposition No. 5 does not embody the main decision contained in general proposition No. 2, but one proposition cannot be divorced from the others; proposition No. 5 did not, and was not intended to override proposition No. 2, and all that proposition No. 5 did was to emphasise the fact that no province should be an actual loser by the formula which was to replace Devolution Rule 15. The local Government, therefore, direct me to suggest that paragraph 2 of the conclusions, as summarised in the letter under reference, fails to reflect the conclusion agreed to at the Conference, in so far as it does not mention the fundamental condition to be fulfilled by the new formula.

3. The local Government accept in principle the proposal that the stamp duties on the commercial documents specified in annexure A to your letter under reference should be transferred from the provincial Governments to the Central Government, and will raise no objection to the proposal becoming an accomplished fact, provided the financial rearrangements, which must inevitably accompany that transfer, are acceptable to the local Government. If the attendant financial changes are, however, such as cannot be accepted by the local Government, this Government will be compelled to object to the transfer of any portion of the revenue from non-judicial stamps from the provincial Governments to the Central Government.

4. Before proceeding to examine in detail the formula which it is proposed shall replace Devolution Rule 15, the Governor in Council desires to draw attention to the general financial results of the proposals now made by the Government of India, because he is of opinion, that, without proceedings into details, the general financial result is of such a character as to render it impossible for this Government to accept the new formula.

The net financial result of the proposed changes is the surrender by the Government of India of revenue amounting to Rs. 56½ lakhs for distribution among the provinces, and it is estimated that this total addition to provincial revenues will be divided among the provinces as follows :—

(In lakhs of rupees.)

Madras	1,46
Bombay	22,70
Bengal	3,47
United Provinces	13,90
Punjab	19
Burma	14
Bihar and Orissa	8,13
Central Provinces	7,14
Assam	—63

The Government of Bengal have from the very introduction of the Reforms protested against the injustice done to the province by the Meston Settlement, and have, throughout the long correspondence on the subject, maintained that the remission of the provincial contribution, temporary or permanent, was only a palliative, and that nothing short of a thorough revision of the Settlement would remove that injustice and solve Bengal's financial problem. Although this has always been the attitude of this Government, the Governor in Council has refrained from pressing for a revision of the Meston Settlement, formerly because of the financial difficulties of the Central Government and latterly because it was realised that any revision must be deferred pending the report of the Taxation Enquiry Committee and the abolition of the provincial contributions. The abolition of the provincial contributions is now in sight—the present proposals of the Government of India are dependent upon the final extinction of those contributions—and hence the proposed surrender of revenue amounting to Rs. 56½ lakhs by the Central Government for division among the local Governments must be examined by the Government of Bengal in the light of their claims to a thorough revision of the Meston Settlement. The financial difficulties into which Bengal was plunged as the result of the Meston Settlement are well known to the Government of India and were publicly admitted by Sir Malcolm Hailey in 1921, when he moved the resolution recommending the remission for the first time of the Bengal contribution. His words have been quoted in previous correspondence but they may be repeated again because they sum up in a few well-chosen words the financial plight of Bengal—

“We have examined the case both narrowly and critically and it appears certain that with every economy Bengal must have a deficit of not less than Rs. 120 lakhs, even if we make no allowance for any extra expenditure on improvements in transferred subjects, such as are desired by Ministers—improvements which, we are told, are necessary if the system of the Reforms is to be a success. Bengal would have that deficit even if it provided only the bare minimum expenditure required to carry on the ordinary administration of the province.”

The injustice done to Bengal is, therefore beyond question and the Governor in Council hopes that he will not be called upon to refute the suggestion that the permanent abolition of the provincial contribution—an advantage which will be common to all provinces—will in any way remove that injustice; that injustice will most certainly remain when all the provincial contributions have been extinguished. In these circumstances the Government of Bengal are of opinion that relief to Bengal should be treated as a first charge on any surplus revenue which may accrue to the Government of India after the extinction of the provincial contributions. The Governor in Council is, however, astonished to learn from an examination of the proposals of the Government of India that they do not intend to utilise their surplus revenue in relieving, even in a partial manner, the financial injustice under which the province of Bengal is suffering. A net increase in revenue to this province

THE POSITION OF HIGH COURTS.

speech in the Legislative Assembly on the 7th March 1925. The primary object, therefore, of the substitution of a new formula for Devolution Rule 15 is the allocation to the important industrial provinces of Bengal and Bombay of a net share in the receipt from income-tax commensurate with their commercial activities and with the revenue derived from income-tax and super-tax assessed on the profits from commerce earned within their borders. The words "net share" have been used intentionally and are interpreted as meaning the gross share of the receipts from income-tax, less the amount, required to recoup the provinces for the loss of revenue consequent on the transfer of the revenue from certain non-judicial stamps and the abolition of certain other assignments. If the new formula does not produce this financial result, the formula is defective and should be rejected. The following figures give the net assignments from the income-tax receipts which the provinces are estimated to obtain on the basis of the figures for the two years 1925-26 and 1926-27 :—

(In lakhs of rupees.)

	Net assignments from income-tax receipts accord- ing to the new formula.	Total gross collec- tions in each pro- vince during the year 1925-26 on account of income-tax and super-tax.
Madras	4,38	1,50,25
Bombay	22,70	3,80,25
Bengal	3,47	6,23,79
United Provinces	13,91	88,14
Punjab, including North-West Frontier Province	3,05	82,25
Burma	7,55	2,22,19
Bihar and Orissa	10,61	41,86
Central Provinces	8,97	48,74
Assam	4,78	43,52

The Governor in Council is of opinion that the above figures approve beyond doubt that the new formula will not produce the desired financial result. A formula which, in view of the admitted relative importance from the industrial point of view of the provinces, gives the lowest assignment but one to Bengal and, as against Rs. 3½ lakhs to Bengal, gives Rs. 14 lakhs to the United Provinces, Rs. 10½ lakhs to Bihar and Orissa and Rs. 9 lakhs to the Central Provinces, stands self-condemned.

6. The Government of India admit that the initial benefit to Bengal is not very considerable. The local Government consider that this is

an understatement of the case, but take it as an admission that the Government of India appreciate that the immediate financial result of the formula will be inequitable to Bengal. The Government of India, however, do not consider that the inequitable character of the immediate result is fatal to the scheme on the ground that the improvement which the Central Board of Revenue expect to effect in the income-tax administration in Bengal, combined with a general improvement in trade, will enable Bengal to enjoy a much larger and increasing benefit from the proposed formula. The Governor in Council regrets that he must definitely disagree with the arguments used by the Government of India and would suggest that the equitable character or otherwise of the new assignment should be judged solely on the basis of present day actuals and not on indefinite estimates based upon possible improvements in administration and a problematical improvement in trade. Further, in so far as the improvement in trade is concerned, the Government of Bengal fail to understand why Bengal should be expected to receive from improved trade an increase proportionately greater than that likely to be obtained by other provinces. On the contrary, compared with the province of Bombay, the exact opposite is the more likely result, as illustrated by the collection in Bombay and Bengal during the four years ending 1925-26—

INCOME-TAX.

(In thousands of rupees.)

	1922-23.	1923-24.	1924-25.	1925-26.
Bengal.	3,29,61	3,47,82	3,30,66	3,74,17
Bombay	5,08,91	3,98,55	3,10,12	2,91,87

SUPER-TAX.

(In thousands of rupees.)

	2,57,37	2,60,60	2,19,74	2,49,62
Bengal.	2,57,37	2,60,60	2,19,74	2,49,62
Bombay	2,98,25	1,97,99	1,27,37	88,38

7. In paragraph 3 of the letter under reference the Government of India examine the manner in which the assignment from the revenue derived from income-tax should be distributed among the provinces and arrive at the conclusion that the only practical way will be to base the distribution on a flat rate on the personal incomes of the assesseees from all sources. The possible methods of distribution were examined by the Taxation Enquiry Committee and they were of opinion that in theory the scheme of division should give due weight to the principle of origin as well as to that of domicile. The question of the relative weight to

be attached to origin and domicile was examined by a committee of eminent economists appointed by the League of Nations and they drew up a classification as regards each category of wealth showing where the economic allegiance lay in a preponderating degree *vide* paragraph 534 of the Taxation Enquiry Committee's report. The Taxation Enquiry Committee made several attempts to devise a scheme based upon the classification prepared by the committee of eminent economists, that is, a scheme which would give the proper relative weight to origin and domicile. They, however, failed and came to the conclusion that the only possible method was to base the distribution primarily on the principle of domicile. The Committee did not attempt to justify this departure from theory on the ground that the financial result would still be equitable as between province and province; on the contrary, they appear to have been convinced that this departure would produce inequitable results because they recommended that, in order to give a *partial* recognition to the principle of origin, each province should be given small portion of the receipts of super-tax on the profits of companies. The local Government would draw particular attention to the use of the word "partial" by the Committee, as it points to the conclusion that the Committee realised that their system, modified so as to give small portion of the receipts from the companies' super-tax to the provinces, was defective in theory in so far as it did not give full and proper weight to the principle of origin. The Government of India have examined the Committee's scheme and have come to the conclusion that it is impossible to give each province any share in the receipts from companies' super-tax, because, of the practical difficulties in making the preliminary adjustments of the collections of each province to meet the case of the profits earned in several provinces but taxed only in one, which are considered essential for an equitable distribution. The Government of India have, in view of these practical difficulties, abandoned all attempt to give the provinces a share of the companies' super-tax and have decided to effect the distribution solely on the principle of domicile, giving no weight whatsoever to the principle of origin. The scheme adopted by the Government of India, therefore, involves an even greater departure from a theoretical correct distribution than the scheme put forward by the Taxation Enquiry Committee.

8. The local Government understand that the Government of India do not attempt to claim that their scheme is theoretically and scientifically accurate; the Governor in Council is of opinion, however, that the scheme departs more radically from a theoretically correct distribution than a mere perusal of the letter from the Government of India would lead one to suppose, and he desires to draw particular attention to the fact that the scheme propounded by the Government of India suffers from the fundamental defect that it gives no weight whatsoever to the principle of origin. The Governor in Council is of opinion that it will not be possible to accept any scheme which involves important departures from theoretical principles until it is established that the financial results still remain equitable, in spite of the sacrifice of those

principles. The local Government appreciate the practical difficulties in applying theoretical principles to the division of income-tax, but they cannot admit that the existence of these difficulties can justify the adoption of a system which will produce an obviously inequitable distribution. If practical difficulties compel a radical departure from theoretically correct principles, the financial effect of that departure should be examined on broad general lines and, if the result is obviously inequitable the system should be abandoned. *The Governor in Council has dwelt on the inequitable character of the financial results in paragraph 5 of this letter and is of opinion that the inequitable result produced by the system proves that the system is too far removed from a scientifically accurate system to warrant its adoption.*

9. The Government of India have rejected the proposal of the Taxation Enquiry Committee to give the provinces a share in the super-tax on companies, because they found it impossible to make the preliminary adjustments of the collections in each province to meet the case of profits earned several provinces but taxed only in one. The following figures give the gross collections on account of super-tax on companies in the provinces during the years 1922-23 to 1925-26 :—

—	1922-23.	1923-24.	1924-25.	1925-26.
	Rs.	Rs.	Rs.	Rs.
Madras	16,76,980	23,55,661	15,34,873	15,14,711
Bombay	1,50,78,575	96,96,316	51,37,013	38,97,213
Bengal.	1,22,06,241	1,29,83,059	1,20,16,398	1,40,12,570
United Provinces	20,22,871	15,34,074	11,30,218	12,12,285
Punjab	2,99,457	5,20,917	3,86,382	4,93,427
Burma.	39,34,672	44,46,371	43,48,547	50,38,068
Bihar and Orissa	35,717	38,920	93,386	15,635
Central Provinces	7,27,842	6,34,041	5,65,412	4,57,854
Assam	91,274	4,68,193	10,03,898	8,02,172

The collections in Bombay, Bengal and Burma are so large, as compared with those in other provinces, that the conclusion appears inevitable that, even allowing for adjustments conducted in a manner most favourable to the provinces in which income is earned though not taxed, these provinces would obtain the lion's share of any portion of the companies' super-tax which might be distributed and that the share obtained by the agricultural provinces would be very small. The decision of the Government of India, therefore, to withhold from the provinces any share of the companies' super-tax penalises very heavily the industrial provinces and weights the distribution unfairly in favour of the agri-

cultural provinces. The Governor in Council is of opinion that this course is inequitable and should not be followed unless the practical difficulties are insuperable. The Government of India have decided that the preliminary adjustments are impossible, because these adjustments would have to be based on assumptions of an extremely hypothetical character. The local Government agree that it will be impossible to conduct the adjustments strictly according to scientific methods, but the Governor in Council is not satisfied that methods of adjustment, which will on the whole be fairly equitable, cannot be devised for practically all cases. Some cases may offer exceptional difficulties, but it is unlikely that the total income involved in these cases will be sufficient to upset the equitable character of the ultimate financial result. The Governor in Council is strengthening in this view by two circumstances. First, a working agreement has been arrived at between the Government of Bengal on the one hand and the Governments of Assam and Bihar and Orissa on the other for the distribution of the profits of mining and tea companies. Secondly, the amount of income in the commercial provinces, as regards which there can be no doubt, is so large, as to render it unlikely that a rough and ready method of distributing the balance would render the ultimate result grossly inequitable.

10. The Government of India also considered the possibility of giving the provinces the proceeds of a flat rate on personal incomes *plus* personal super-tax incomes, but decided that this was not desirable; not because the system afforded any practical difficulties, but because Bombay and Bengal would under such a formula lose instead of gain, owing to the fact that the initial pie rate would be lower if super-tax incomes were added to the ordinary incomes. This decision is said to be based upon actual statistical investigations. Unfortunately, the statistical results of the investigations have not been given in your letter under reference and the local Government are, therefore, not in a position to offer any opinion on the decision arrived at by the Government of India. In view of the infinitesimal benefit likely to accrue to Bengal under the Government of India's scheme, the Governor in Council finds it difficult to appreciate how Bengal would be worse off.

11. The Indian Taxation Enquiry Committee recommended that the distribution should be made on a basic rate graduated proportionately to the general rate. The Government of India in their letter No. F-116 (V)-F.—26 of the 13th August 1926, expressed the opinion that the adoption of a graduated rate would be inconvenient from the point of view of both the Central and the Provincial Governments, since it would create difficulties in the event of a decision to alter the rates or to adopt a new system of graduation and suggested the adoption of a flat rate. The local Government in their letter No. 1453-T.—F.B. of the 2nd October 1926, agreed to the suggestion of a flat rate. The Governor in Council has re-examined this question and after further consideration, has decided that a flat rate will be unsuitable as likely to penalise the commercial provinces and favour the agricultural provinces in the

scheme of distribution. Under the ideal system of distribution the amount allocated to each province should bear approximately the same proportion to the contribution made by each province by way of income-tax and super-tax to the Central revenues. So long, however, as income-tax and super-tax are realized at varying rates on different classes of income, it is obvious that the ideal distribution will not be attained by a flat rate on incomes. because, the flat rate will favour those provinces in which incomes are on a generally lower level. The statistics given at the close of this paragraph point to the conclusion that this bias will once again be in favour agricultural provinces and to the disadvantage of the industrial provinces and the Governor in Council finds it, therefore, impossible to accept the proposal of a flat rate. He is of opinion that if the industrial provinces are not to be penalised, it will be essential to adopt the proposal of the Taxation Enquiry Committee of a basic rate graduated according to the general rate—

1925-26.

(In thousands of rupees.)

	Total assessed income.	GROSS COLLECTIONS.		Total
		Income- tax.	Super- tax.	
Madras	25,45,51	1,27,35	22,00	1,50,25
Bombay	51,08,08	2,01,87	88,38	3,80,25
Bengal.	52,19,54	3,74,17	2,40,62	6,23,79
United Provinces	14,31,48	70,66	17,48	88,14
Punjab, including North-West Frontier Province.	16,64,22	75,09	7,16	82,25
Burma.	24,63,50	1,62,24	50,95	2,22,19
Bihar and Orissa	8,39,16	37,40	4,16	41,86
Central Provinces	7,90,95	38,73	10,01	48,74
Assam	5,61,84	35,25	8,27	43,52

12. The Governor in Council is of opinion that no scheme which fails to give due weight to the principle of origin will ensure an equitable distribution of the total assignment from income-tax. The relative weight to be given to domicile and origin, and the exact manner in which effect should be given to any conclusions as regards this problem are questions of the greatest difficulty, but the local Government cannot agree that a solution of the whole problem of distribution can be obtained by brushing aside these difficulties and basing the distribution on a system which deliberately gives no weight whatsoever to origin.

Domicile and origin are most likely to diverge as regards the income from—

- (a) companies ;
- (b) registered and unregistered firms ;
- (c) the interest on provincial and municipal loans.

The first two classes of income are of great importance to an industrial province, and the result of giving no weight to origin is to deprive an industrial province of all interest in the income-tax derived from that portion of the above classes of income which accrues to person not resident in the provinces and which represents the undistributed profits of companies. It is believed that the amount of this class of income is very considerable in the major industrial provinces, especially in Bengal. The following figures support this conclusion :—

(In thousands of rupees.)

---	Total personal income : 1925-26.	TOTAL ASSESSED INCOME : 1925-26.		Total.
		Companies and registered firms.	Other sources.	
Madras	19,42,00	3,30,63	22,05,88	25,45,51
Bombay	40,60,00	7,15,52	43,92,56	51,08,08
Bengal.	28,74,00	24,49,20	27,70,34	52,19,54
United Provinces	13,89,00	2,04,51	12,26,97	14,31,48
Punjab, including North-West Frontier Province.	10,15,00	88,42	15,75,80	16,64,22
Burma.	13,25,00	8,40,32	16,23,18	24,63,50
Bihar and Orissa	7,45,00	17,13	2,22,03	8,39,16
Central Provinces	6,76,00	75,63	7,15,32	7,90,95
Assam	3,30,00	1,99,10	3,62,74	5,61,84
TOTAL	1,43,56,00	49,29,46	1,56,94,82	2,06,24,28

If the Governor in Council is correct in the conclusion that the amount of the income in an industrial province in which origin and domicile diverge is very considerable, there can be no doubt that any system of distribution which excludes all weight attributable to origin must very seriously penalise an industrial province like Bengal, and must be one which the Government of an industrial province cannot accept.

The figure of Rs. 60 crores, being the difference between the total personal income and the total assessed income for the whole of India, represents the undistributed profits of companies and the income on foreign capital invested in India by persons resident abroad and who have no agent in India. The greater part of the undistributed profits of companies accrues in the industrial provinces and the system adopted by the Government of India has, therefore, the effect of unfairly excluding these provinces from all interest in the income-tax realised on these undistributed profits. The Governor in Council is aware of no reason why a province should suffer because the companies working within its borders adopt the policy of not distributing their entire profits. The greater part of the foreign capital, other than that invested in securities of the Government of India, provincial Governments and local bodies, is in all probability invested in commercial undertakings in the industrial provinces; and if no weight is given to origin, the industrial province is deprived of all interest in the income derived from this capital.

13. The Governor in Council accepts in principle the proposals of the Government of India with regard to the removal of the minor fiscal anomalies in connection with the Court-fees Act referred to in paragraph 5 of your letter, but would suggest that these proposals should not be given effect to until the main proposal in connection with the consideration of Devolution Rule 15 has been decided. The local Government would also be pleased if the Government of India could furnish them with an estimate of the probable loss in revenue which is likely to accrue to the local Government in consequence of the proposed changes.

14. The Government of India also consider it desirable to delete from section 39 of the Indian Forests Act of 1878 the power given to local Governments to levy import duties on articles of forest produce entering their territories from outside British India, unless such a course would cause serious administrative inconvenience, and ask that the administrative justification for the continuance of these import duties should be re-examined. No import duties of the character in question are levied in Bengal, and hence the Governor in Council is not in a position to offer any opinion on the degree of administrative inconvenience which may accompany the change in the law contemplated by the Government of India. His Excellency the Governor would, however, suggest that, as these import duties cannot be levied without the sanction of the Governor-General in Council, and as the revenue derived therefrom is small, no change should be made, if there is the slightest danger of the change being accompanied by increased opportunities of forest produce, removed from provincial forests, avoiding the payment of the royalties to which the local Governments are entitled.

15. In conclusion, the Governor in Council wishes to draw the attention of the Central Government to the serious political consequences which must inevitably follow the adoption of the formula proposed by the Government of India in place of Devolution Rule 15. Intense dissatisfaction with the financial position, as the result of the Meston Settle-

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The first two classes of income are of great importance to an industrial province, and the result of giving no weight to origin is to deprive an industrial province of all interest in the income-tax derived from that portion of the above classes of income which accrues to person not resident in the provinces and which represents the undistributed profits of companies. It is believed that the amount of this class of income is very considerable in the major industrial provinces, especially in Bengal. The following figures support this conclusion :—

(In thousands of rupees.)

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Bombay	40,60,00	7,15,52	43,92,56	51,08,08
Bengal.	28,74,00	24,49,20	27,70,34	52,19,54
United Provinces	13,89,00	2,04,51	12,26,97	14,31,48
Punjab, including North-West Frontier Province.	10,15,00	88,42	15,75,80	16,64,22
Burma.	13,25,00	8,40,32	16,23,18	24,63,50
Bihar and Orissa	7,45,00	17,13	2,22,03	8,39,16
Central Provinces	6,76,00	75,63	7,15,32	7,90,95
Assam	3,30,00	1,99,10	3,62,74	5,61,84
TOTAL	1,43,56,00	49,29,46	1,56,94,82	2,06,24,28

If the Governor in Council is correct in the conclusion that the amount of the income in an industrial province in which origin and domicile diverge is very considerable, there can be no doubt that any system of distribution which excludes all weight attributable to origin must very seriously penalise an industrial province like Bengal, and must be one which the Government of an industrial province cannot accept.

leases and other important revenue yielding items, which leads the Governor in Council to infer that there is an inadvertent error in describing article 62(c). That should read as follows :—"any interest secured by a policy of insurance ;" and the point may be noted for correction when final action is being taken.

4. Under the new arrangement the Central Government will receive the revenue from embossing receipt forms. In the letter under reply however no mention is made of the charges on embossing, which clearly will become central with the transfer of this class of receipt. The Governor in Council presumes that the Government of India prefer that the existing arrangements for embossing should continue, the provincial government being reimbursed by central revenues the expenditure incurred, inclusive of a percentage for superior supervision.

5. When the changes are being brought into operation, the Government of India will doubtless issue detailed instructions to give effect to them. In the opinion of the Governor in Council a provincial government should continue to be responsible for the administration of the stamp law in its application to the instruments selected for transfer ; and should therefore not only arrange for the supply of central stamps but also be responsible for detecting evasions of duty, for recovery of deficit duty and penalty, and for prosecution of offences against the stamp law in respect to central documents. In return for this service a provincial government should retain any deficit duty, penalty or fine that may be recovered through its agency. A separate agency will be uneconomical and less effective and will give rise to much public inconvenience. If however the Government of India do not accept this view and propose some other system for administering the Stamp Act in relation to the documents selected for transfer, the Governor in Council hopes that he will be consulted before a decision is reached.

6. As to the minor consequential changes this Government have no objection to offer to the following :—

- (1) the abolition of the assignments under Devolution Rule 15 and other revenue assignments which are not in nature of payments for specific services rendered ; and
- (2) the amendment of the Indian Court-fees Act, 1870, with a view to the abolition of fees on all documents relating to proceedings before officers of the Income tax, Salt and Customs Departments of the Government of India.

There remains the suggestion that import duties levied under the Forest Acts on timber coming into a province from outside British India should be abolished. The remarks in the succeeding paragraph deal with this proposal.

7. In paragraph 6 of Mr. Brayne's letter the Government of India observe that the revenue from import duties amounted to an average of Rs. 38,000 in this province and suggest that the administrative justification for their continuance should be re-examined. At the same

ment, has dominated the whole political outlook in Bengal since the introduction of the Reforms, and in the opinion of the Governor in Council has added greatly to the difficulties experienced in working those Reforms. Further, the urgent necessity of an early revision of that Settlement has formed the subject of resolutions tabled at almost every session of the Legislative Council. The admission of the Government of India that the revenue allotted to Bengal was not sufficient to carry on the ordinary administration of the province has naturally created hopes that the first revision of the financial settlement will take the form of the grant to Bengal of substantial financial relief designed to redress the injustice done by the Meston Settlement. If the first revision of the Settlement, on the contrary, gives no relief to Bengal, but favours other provinces which have already benefited greatly by the Meston Settlement, that announcement will be received by the people of Bengal with extreme dissatisfaction and a serious political situation will arise. The Governor in Council can only contemplate with dismay the prospect of having to meet the Legislative Council on the publication of the scheme as now formulated by the Government of India, and has no doubt but that the activities of the Legislative Council in the exasperated state of mind produced by the announcement would be seriously embarrassing to the local Government and to the Government of India.

LETTER FROM N. S. CROSTHWAITE, ESQ., C.I.E., I.C.S., M.L.C., SECRETARY TO THE GOVERNMENT OF THE UNITED PROVINCES, No. B.-7205-X.-L., DATED LUCKNOW, THE 2ND NOVEMBER 1927.

SUBJECT.—*Readjustments within the Meston Settlement.*

I am directed to reply to Mr. Brayne's letter No. F.11/XII—F., dated 26th September 1927, on the above subject.

2. The main proposals consist of the transfer to the Central Government of stamp duties on certain specified documents which are of a commercial or quasi-commercial character, and the grant of compensation to provincial revenues in the form of a share of the income-tax at the rate of three pice in the rupee on personal assessable incomes from all sources of assesses resident within a province. The Governor in Council welcomes this change. He accepts the estimate of Rs. 7 lakhs as the loss due to the centralization of certain general stamps, and notes that on the average of the past two years the yield of the pie rate will exceed Rs. 21½ lakhs. There are however certain points which call for remark.

3. Annexure A to Mr. Brayne's letter describes articles 62(c) as "any interest secured by a policy of insurance, etc." That article deals with the transfer of any interest secured by a bond, mortgage deed or policy of insurance. But in paragraph 1(1) of the letter the Government of India state that provinces will retain conveyances, mortgages,

leases and other important revenue yielding items, which leads the Governor in Council to infer that there is an inadvertent error in describing article 62(c). That should read as follows :—" any interest secured by a policy of insurance ; " and the point may be noted for correction when final action is being taken.

4. Under the new arrangement the Central Government will receive the revenue from embossing receipt forms. In the letter under reply however no mention is made of the charges on embossing, which clearly will become central with the transfer of this class of receipt. The Governor in Council presumes that the Government of India prefer that the existing arrangements for embossing should continue, the provincial government being reimbursed by central revenues the expenditure incurred, inclusive of a percentage for superior supervision.

5. When the changes are being brought into operation, the Government of India will doubtless issue detailed instructions to give effect to them. In the opinion of the Governor in Council a provincial government should continue to be responsible for the administration of the stamp law in its application to the instruments selected for transfer ; and should therefore not only arrange for the supply of central stamps but also be responsible for detecting evasions of duty, for recovery of deficit duty and penalty, and for prosecution of offences against the stamp law in respect to central documents. In return for this service a provincial government should retain any deficit duty, penalty or fine that may be recovered through its agency. A separate agency will be uneconomical and less effective and will give rise to much public inconvenience. If however the Government of India do not accept this view and propose some other system for administering the Stamp Act in relation to the documents selected for transfer, the Governor in Council hopes that he will be consulted before a decision is reached.

6. As to the minor consequential changes this Government have no objection to offer to the following :—

- (1) the abolition of the assignments under Devolution Rule 15 and other revenue assignments which are not in nature of payments for specific services rendered ; and
- (2) the amendment of the Indian Court-fees Act, 1870, with a view to the abolition of fees on all documents relating to proceedings before officers of the Income tax, Salt and Customs Departments of the Government of India.

There remains the suggestion that import duties levied under the Forest Acts on timber coming into a province from outside British India should be abolished. The remarks in the succeeding paragraph deal with this proposal.

7. In paragraph 6 of Mr. Brayne's letter the Government of India observe that the revenue from import duties amounted to an average of Rs. 38,000 in this province and suggest that the administrative justification for their continuance should be re-examined. At the same

time the Government of India consider it desirable to delete from the respective Acts the power given to levy import dues unless such a course would cause serious administrative inconvenience. The only produce that enters the United Provinces from outside British India is that which comes from Nepal into the Eastern circle, chiefly in the Gonda and Bahraich divisions. This produce is admitted into the reserved forests on the issue of a pass, for which a nominal fee is levied. These fees, however, are not import duties, but are a necessary part of the procedure under section 41(c) of the Indian Forest Act. If forest produce (whether from a foreign country or a private forest) is allowed to pass through a reserved forest uncontrolled, it will be open to any one to misappropriate government forest produce and allege that it came from another source. Apart from the loss to provincial revenues, this will cause constant friction. Therefore to avoid friction and to safeguard provincial interests a system of passes and fees was introduced some years ago in agreement with the Nepal Darbar. The Governor in Council considers it essential to retain the present system to which no objection has been received from traders in the past ten years. The Government of India are under a misapprehension in stating that the income from import duties average Rs. 38,000 a year. That figure, evidently taken from the annual accounts, represents receipts under the head VIII-C—Revenue derived from forests not managed by Government (duty on foreign timber and other forest produce). The receipts, however, from the particular registration fees on Nepalese imports average only Rs. 406 a year and scarcely suffice to cover the expenses incurred.

LETTER FROM THE SECRETARY TO THE GOVERNMENT OF BURMA, FINANCE DEPARTMENT, NO. 179-26, DATED RANGOON, THE 8TH NOVEMBER 1927.

SUBJECT.—*Re-adjustment within the Meston Settlement—Stamp Revenue and Income-tax.*

I am directed to reply to the Hon'ble Mr. Brayne's letter No. F.-11-XII-F., of the 26th September 1927, inviting the opinions of Provincial Governments on certain proposals which are summarised in paragraph 7 of the letter.

2. The Governor in Council accepts proposals (1), (3) and (4) that—
 - “ Stamp duties on the documents specified in Annexure A should be transferred to the Central Government ” ;
 - “ The assignments under Devolution Rule 15 and other revenue assignments, which are not in the nature of payments for specified services rendered, should be abolished ” ; and that
 - “ The Indian Court Fees Act, 1870, be amended so as to abolish the fees on all documents relating to proceedings before officers of the Income-tax, Salt and Customs Departments of the Government of India ”.

3. The Local Government understands that the Government of India do not intend to apply to Burma proposal (5)—that “ The import duties levied under the Forest Acts on timber coming into a Province from outside British India should also be abolished.”

4. Proposals (2) and (6) deal with Income-tax. It is suggested that—

“(2) The Provinces should be given a share of the income-tax at the rate of three pies in the rupee on personal assessable incomes from all sources of assessee's resident within the Province”; and that

“(6) If, in the case of any Province, the proceeds of the three pie rate are less than the loss of revenue from (1), (3) (4) and (5), the difference should be made good by means of an assignment from Central Revenues until the question of the future financial relations between the Central Government and the Provincial Governments is settled after enquiry by the Statutory Commission”.

The statement marked Annexure B which is appended to Mr. Brayne's letter indicates that, taking the average of the personal incomes assessed to income-tax in Burma during the two years 1925-26 and 1926-27, the application of the proposal would involve an assignment of Rs. 19,55,000 or Rs. 14,000 more than the sum of the Government of India's estimate of the receipts from stamps which it is proposed to centralise and the average of the last two years' assignments under Devolution Rule 15. The Government of India were informed in this Government's telegram of the 25th April 1927 that it was impossible to give even an approximate estimate of the revenue from the former source; His Excellency in Council is therefore unable to form any opinion regarding the adequacy of the estimate of Rs. 12 lakhs on which the Government of India have based the calculation. Further he is not clear how the Central Government have arrived at the figure (Rs. 7,41,000) which appears in the statement as the average amount of the assignment for the last two years under Devolution Rule 15. If the two years referred to are the years 1925-26 and 1926-27 the average is Rs. 11,58,603 as shown by the calculation below or Rs. 4,17,603 more, and the assumed benefit of Rs. 14,000 to Provincial Revenues is converted into a loss of Rs. 4,03,603. Under proposal (6) the Government of India will make good this difference by means of an assignment from Central Revenues “calculated on the figures on the last three years”.

	Rs.
1925-26	9,37,678
1926-27	13,79,528
Total	23,17,206
Average	11,58,603

5. The following table shows for each of the last five years since Devolution Rule 15 came into force, the total receipts in Burma from

non-judicial stamps and the amount of the assignment under Devolution Rule 15 :—

Year.	N. J. Stamp Receipts.	Devolution Rule 15 Assignment.	Total.
	Rs.	Rs.	Rs.
1922-23.	24,99,959	..	24,99,959
1923-24	26,83,823	38,000	27,21,823
1924-25	30,38,801	5,96,440	36,35,241
1925-26	34,13,178	9,37,678	43,50,856
1926-27	33,05,562	13,79,528	46,85,090

The entries in column 2 exclude the payments made to the Rangoon Development Trust on account of the additional stamp duty levied in the case of instruments affecting immovable property situated in the city of Rangoon under Section 68(1) of Burma Act V of 1920. The figures show a rapid rate of increase under both heads despite a drop in the last year in the receipts from stamps and there is no reason why the increase should not continue. So far as *Burma* is concerned the proposals remain open to the objection detailed in this Government's letter No. 179/N./26 of the 8th November 1926 and no fixed assignment would be acceptable which did not make allowance for this fact. The average of a series of years is suitable where the question is one of determining the mean of a number of fluctuating quantities, but where the question is one of compensating a Provincial Government for a progressively increasing benefit which it is desired that it should surrender, the figure to be adopted should exceed the total of the latest years for which figures are available by a reasonable estimate of the probable loss for the future.

6. In paragraph 4 of Mr. Brayne's letter it is remarked that the comparatively large assignment which *Burma* has received under Devolution Rule 15 has followed not from any marked expansion of non-agricultural income but from the fortuitous circumstances that until a comparatively recent date there existed no properly organised machinery for the assessment of income-tax outside Rangoon city, and that the increase has been due to the extension of the activities of the Income-tax Department to the moffusil districts. The Government of India admit that in the case of Bengal the standard of income-tax assessment is much lower than it ought to be and there seem to be grounds for believing that Bengal would have derived some benefit from the Rule as it stands had the standard of administration been higher. The improvement of the efficiency of the income-tax administration in Bengal which the Central Board of Revenue are contemplating will enhance the benefit which that Province will derive from the application

of the proposal under consideration. In Burma where the assessment of income-tax has reached a considerably higher degree of efficiency there will be much less room for the expansion of revenue consequent on better methods of assessment and the substitution of the proposed assessment for the provisions of Devolution Rule 15 will, so far as can be seen, be a change for the worse. It is pointed out in paragraph 4 of this Government's letter of the 8th November 1926 that Burma is exploited to a much greater extent than obtains in the other major provinces in India by aliens—Europeans, Chinese and residents of other provinces of India—with the result that a fluctuating rate of income-tax on personal assessable incomes from all sources of assessee's resident within the province is inevitably less favourable to Burma than it is to provinces otherwise situated. His Excellency in Council, however, realises that the exceptional circumstances of this province cannot be allowed to stand in the way of such a modification of Devolution Rule 15 as will benefit all other provinces in India with the exception of Assam; he is therefore prepared to concur in the application of the proposals to Burma on the understanding that in determining the amount of the contemplated fixed assignment the Government of India will take into account the progressively increasing benefits which the Province now enjoys under the provisions of Devolution Rule 15 and that it will give sympathetic consideration to the substantial grievance which evoked this Government's representations in respect of the export duty on rice and the inclusion by the Meston Award among the Provincial Receipts of the revenue from the Capitation and Thathameda taxes which have been classed as sources of local revenue.

7. In view of the uncertainty of the estimates on which the calculations in Annexure B to your letter are based His Excellency in Council presumes that the Government of India will be prepared to revise the amount of the fixed assignment if experience shows that it was fixed too low.

LETTER FROM H. M. PRICHARD, ESQ., I.C.S., SECRETARY TO THE GOVERNMENT OF ASSAM, FINANCE DEPARTMENT, No. 7404-F., DATED SHILLONG, THE 10TH NOVEMBER 1927.

SUBJECT :—*Readjustments within the Meston Settlement.*

I am directed to refer to your letter No. F-11-XII-F., of September 26th, 1927, on the subject of readjustments within the Meston Settlement and to say that the Governor in Council has no objection to the proposals summarised under heads (1), (2), (3), (4) and (6)—except in so far as head (6) refers to head (5)—in paragraph 7 of your letter.

2. The proposal summarised under head (5) is explained at length in paragraph 6 of your letter in which the Government of India refer to the import duties levied under various Forests Acts and propose to

abolish the powers given to local Governments to levy such import duties on forest produce entering their territories from outside British India, unless such a course would cause serious administrative inconvenience. They, therefore, suggest that the administrative justification for the continuance of the import duties should be re-examined. The following figures give the revenue shown in the forest accounts as import duty during the last five years in this province :—

										Rs.
1922-23	.	.	.	.	.	.	.	.	.	49,485
1923-24	.	.	.	.	.	.	.	.	.	54,466
1924-25	.	.	.	.	.	.	.	.	.	68,073
1925-26	.	.	.	.	.	.	.	.	.	58,195
1926-27	.	.	.	.	.	.	.	.	.	43,190

These figures, however, by a mistaken classification include the royalty paid on limestone quarried in non-British territory in the Khasi and Jaintia Hills district. These receipts are not in fact an import duty. They represent the half share of the profit which is due to the Government under the terms of the agreements subsisting between the Government and the several Khasi States concerned. By the terms of these agreements all the lime, coal and other mines, metals and minerals in the Khasi States concerned are ceded to the Government on condition that the States concerned receive half the profits arising from the sale, lease or other disposal of such lime, coal or other minerals. The total revenue derived from this royalty on limestone from non-British territory in the Khasi Hills during the past five years was as follows :—

										Rs.
1922-23	.	.	.	.	.	.	.	.	.	20,574
1923-24	.	.	.	.	.	.	.	.	.	23,408
1924-25	.	.	.	.	.	.	.	.	.	22,430
1925-26	.	.	.	.	.	.	.	.	.	21,249
1926-27	.	.	.	.	.	.	.	.	.	10,832

As this revenue has nothing whatever to do with import duties, it must be deducted from the total figures of import duties shown in the forest accounts. The revenue from import duties proper will, therefore, be :—

										Rs.
1922-23	.	.	.	.	.	.	.	.	.	28,911
1923-24	.	.	.	.	.	.	.	.	.	31,038
1924-25	.	.	.	.	.	.	.	.	.	45,643
1925-26	.	.	.	.	.	.	.	.	.	36,946
1926-27	.	.	.	.	.	.	.	.	.	32,358

Almost the whole of this revenue is derived from forest produce from the Khasi States. It is assessed on such produce exported into British India at half the Government rates of royalty imposed on similar produce derived from British territory. This duty has been levied for many years. Originally it was not regarded as an import duty. Under

the agreements subsisting with the several States concerned all waste lands which the British Government may wish to sell or lease as waste lands are ceded to the British Government on the condition that the State shall receive half the profit arising therefrom and it was originally held that this clause gave Government the right to royalty on forest produce from the Khasi States, the royalty in practice being fixed at half the rates of royalty paid on similar produce in British territory. In 1904, however, the Chief Commissioner of Assam took the view that the terms of the agreement did not warrant Government in levying royalty upon such forest produce and he ordered that the levy should in future be treated as an import duty on such produce on its entry into British territory. Legally, therefore, the revenue derived from this source is an import duty. Although the levy of such an import duty by this Government may be technically an encroachment on the fiscal sphere of the Central Government there are circumstances which, in the opinion of the Governor in Council, justify the retention by provincial revenues of the import duty recovered from the Khasi States. The cost of administering these States, as far as it falls upon Government is borne entirely by provincial revenues. By the terms of the agreement these States are subject to the orders and control of the Deputy Commissioner of the Khasi and Jaintia Hills district; certain classes of cases are reserved for the jurisdiction of the British Courts; the excise control is exercised by the Deputy Commissioner and his staff, and various miscellaneous duties in connection with the administration of these States are performed by these officers and officers of other Government Departments. The exact amount of expenditure incurred on such work by the provincial revenues cannot be given but it can safely be said that a large proportion of the cost of the establishment of the Deputy Commissioner and his office, and of the police, medical, public works and other services in the district, exclusive of the headquarters establishments in Shillong, is incurred on account of the administration of these States. In equity, therefore, the revenue derived on forest produce exported from these States should be assigned to provincial revenues. The business in forest produce and particularly in timber, in Assam is developing rapidly; and a fixed assignment based on past actual receipts from the duty would not adequately compensate the province for the loss of a source of revenue which has considerable scope for expansion. Whatever decision be arrived at on the question whether these receipts should be treated as provincial or central, the duty now imposed should undoubtedly be continued in some shape or form. It has for many years been accepted by the Khasi States as a normal incidence of their relation with the Local Government and it forms a useful contribution towards the cost incurred by the Local Government in connection with the administration of the States and the preservation of law and order therein. Apart from these considerations the retention of the duty is necessary in the interest of the forest administration both of British territory and non-British territory. If the duty now paid on forest produce imported into British territory were removed, the forests

in the Khasi States would probably be ruthlessly denuded of timber and there would be a serious danger that timber from British territory would be passed off as timber from non-British territory a malpractice which it would be very difficult to check and which would adversely affect the provincial revenues.

The revenue derived from import duties on forest produce exported from places other than the Khasi States is of trifling amount. The figures for the past five years are as follows :—

	Rs.
1922-23	279
1923-24	193
1924-25	194
1925-26	183
1926-27	315

These figures are so small that the loss of revenue that would result from the abolition of the duties would be negligible. But here again the danger, that has been mentioned at the conclusion of the preceding paragraph, would arise, though perhaps not to such serious extent as in the case of the Khasi Hills. For these reasons the duties should be retained, but the justification for retaining for provincial revenues the revenue derived therefrom, which has been urged in the case of forest produce from the Khasi Hills, would not apply in the case of forest produce from other non-British territories.

EXTRACT FROM THE PROCEEDINGS OF THE CONFERENCE OF FINANCIAL REPRESENTATIVES HELD AT NEW DELHI IN NOVEMBER 1927.

Readjustments within the Meston Settlement.

It was observed that the whole of the Meston Settlement would come under examination by the Statutory Commission before long, and pending this examination only three Governments out of nine were in favour of proceeding with the scheme of the Government of India, five were in favour of postponing and Bombay was in favour of the matter being proceeded with only under certain stipulations.

APPENDIX III.

Division of Income-tax in Germany—Principles on which the tax is apportioned.

(1) A South Sea trade and plantation company. Head Office in Hamburg. The chief agency and plantation in Samoa, which is a German Protectorate. The board of directors, and superintendence at Hamburg. Most of the buying and selling is done at Samoa, but part at Hamburg :—
25 per cent. of the total income is taxed at Hamburg.

(2) A German Portland cement company, with its chief office and administration in Hamburg, but its factories in Prussia :—

Income from land falls to be taxed in Prussia. Of the balance Prussia claims 75 per cent. and Hamburg 50 per cent.

In the result they split the difference, and Hamburg gets $37\frac{1}{2}$ per cent. and Prussia $62\frac{1}{2}$ per cent.

(3) A Retail Business with many Branches.—A limited liability company. Chief office and management and part of the buying for the branch in Hamburg.

Hamburg took 20 per cent. for the chief office, administration, and part of the buying, of the balance a division was made on the basis of the turnover, the turnover in foreign branches being included in the Hamburg figure.

(4) Petroleum company. Head office, management, docks, and buying in Hamburg. Selling in Hamburg and the other States of Germany.

Of the total income 40 per cent. is taken for Hamburg on account of the chief office, etc. The balance is divided according to the respective turnovers.

(5) A cash register company. Chief office in Berlin, but wholesale warehouses, showing samples, in Hamburg.

A division was made according to the wages paid in the respective States.

(6) A brewery company with branch establishments in Hesse and Prussia. Division according to turnover.

(7) Chemical works with factories both in Baden and Prussia. In this case separate books were kept, and these accepted for the purpose of a division.

(8) Railway in both Prussia and another German State. The head office and administration in Prussia. The lengths of line in Prussia and the other State were in the proportion of 16 : 9, but the amount of money taken in the other State was greater than the amount taken in Prussia.

In the division 10 per cent. is taken for management in Prussia, and the balance divided equally.

**FINANCIAL RELATIONS BETWEEN THE
GOVERNMENT OF INDIA AND THE
PROVINCIAL GOVERNMENTS.**

Parts

A.—General.

B.—Taxation.

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Financial relations between the Government of India and the Provincial Governments.

A.—GENERAL.

In the discussion of the question of the financial relations between the Government of India and the Provincial Governments, it is important to keep in view the historical circumstances under which the system of Central control has developed and also the precise nature and the object of the control that is now exercised by the Government of India. Broadly speaking, it is possible to distinguish between three classes of cases in which restrictions are now placed on the administrative authority of Provincial Governments—

- (a) Cases in which control is exercised by the Central Government or the Secretary of State, in order definitely to remove a particular matter from the discretion of Provincial Governments. Instances of these are the restrictions imposed by the Secretary of State over the powers of Provincial Governments in respect of expenditure and of the pay and allowances of All-India Services.
- (b) Cases in which control is exercised for the purpose of co-ordinating the activities of Provincial Governments.
- (c) Cases in which control by an outside authority becomes necessary owing to a conflict of interests between two Provincial Governments or between a Province and India as a whole. When such a conflict arises, interference by an outside authority, such as the Central Government or the Secretary of State, becomes essential. For instance, such a conflict might arise and has actually arisen in the exercise of the powers of taxation by Provincial Governments and local authorities subordinate to them.

A further advance towards Provincial autonomy would probably involve relaxation of the control now exercised in respect of the first class of cases, though special provisions might still have to be made in order to safeguard the interests of All-India Services. As regards the second class of cases, it is obviously desirable that Provincial Governments should be encouraged to work on a system of co-operation for their mutual benefit. The restrictions that might be necessary in respect of such cases are similar to those which members of a co-operative body would voluntarily impose on themselves. As regards the third class, even if complete Provincial autonomy were conceded, it would be necessary to consider whether some powers of control by an outside authority should not be retained for the purpose indicated, or even whether the existing powers are adequate.

B.—TAXATION.

2. *Present legal position.*—Before the Reforms every Provincial Government was bound under Section 45 of the old Government of India Act to obey the orders of the Governor-General in Council in all matters, including, of course, finance, relating to the Government of the Province. Local authorities imposed certain taxes under legislation passed by the Provincial Council with the previous approval of the Government of India, but in almost every case the imposition of such taxes was subject to any general rules made or any special orders issued by the Governor General in Council. Control by the Government of India over the powers of taxation of Provincial Governments and local authorities was thus almost unrestricted.

3. The position has been completely changed by the passage of the Government of India Act of 1919, under which by means of Statutory Rules (see Devolution Rule 14), specified sources of revenue have been placed at the disposal of Provincial Governments for the purposes of Provincial administration. These include :—

(a) receipts accruing in respect of Provincial subjects, such as land revenue, irrigation, judicial and non-judicial stamps, registration fees, forests, etc. It will be observed that the list of Provincial subjects includes the taxes specified in the Schedules to the Scheduled Taxes Rules and also taxes not included in those Schedules which are imposed by or under Provincial legislation which has received the previous sanction of the Governor-General (see item 46, Part II of Schedule I to the Devolution Rules).

(b) The proceeds of any taxes which may be lawfully imposed for Provincial purposes.

If any *Provincial Government* now desires to supplement its revenues, it may impose, without the previous sanction of the Governor-General

in Council, any of the taxes specified in the Scheduled Taxes Rules, while for any other taxes the sanction of the Governor-General is necessary. The taxes which may be levied by *local authorities* under legislation passed by a Provincial Government are specified in Schedule II of the Scheduled Taxes Rules. For facility or reference, a list of these taxes is given below :—

Taxes which may be imposed by a Provincial Legislative Council without the previous sanction of the Governor-General for the purposes of the Local Government.

1. A tax on land put to uses other than agricultural.
2. A tax on succession or on acquisition by survivorship in a joint family.
3. A tax on any form of betting or gambling permitted by law.
4. A tax on advertisements.
5. A tax on amusements.
6. A tax on any specified luxury.
7. A registration fee.
8. A stamp-duty other than duties of which the amount is fixed by All-India legislation.

Taxes which a Provincial Legislative Council may impose or authorise a local authority to impose for the purposes of such local authority.

1. A toll.
2. A tax on land or land values.
3. A tax on buildings.
4. A tax on vehicles or boats.
5. A tax on animals.
6. A tax on menials and domestic servants.
7. An octroi.
8. A terminal tax on goods imported into or exported from a local area, save where such tax is first imposed in a local area in which an octroi was not levied on or before the 6th July 1917.
9. A tax on trades, professions and callings.
10. A tax on private markets.
11. A tax imposed in return for services rendered, such as
 - (a) a water rate,
 - (b) a lighting rate,
 - (c) a scavenging, sanitary or sewage rate,
 - (d) a drainage tax,
 - (e) fees for the use of markets and public conveniences.

4. So far as the Transferred subjects (which include local taxation, and forest royalties in Burma and Bombay) are concerned, the powers of superintendence, direction and control vested in the Government of India under the Act can be exercised only for the following purposes :—

- (a) to safeguard the administration of Central subjects.
- (b) to decide inter-Provincial disputes, and
- (c) to safeguard the due exercise and performance of any powers or duties possessed by or imposed on the Governor-General in Council.

5. Such in brief is the present position governing the fiscal relations between the Central Government and the Provincial Governments. In any modification of those relations the following points would have to be considered :—

- (1) The Meston Committee, whose recommendations as modified by the Joint Select Committee of Lords and Commons have been given effect to in the Devolution Rules, aimed at a complete separation of the sources of revenue of the Central Government and the Provincial Governments. A complete separation, however, is theoretically as well as practically impossible, because taxes which bear different names are often similar in their incidence and economic effects. Over-lapping is inevitable under any system of allocation and it is necessary to regulate the levy of certain taxes by means of specific rules under or provisions in the Act which would aim at defining the spheres of taxation and the limits of authority of the Provincial and Central Governments.
- (2) Taxes imposed by Provincial Governments under provincial legislation which had received the approval of the Government of India before the Reforms were classed under the Devolution Rules as Provincial subjects and receipts from such taxes became automatically Provincial. Some of these taxes, such as the forest import and export duties, are indistinguishable from those allocated to the Central Government under the Meston scheme.
- (3) Although a complete separation of the sources of revenue was attempted as between the Central Government and the Provincial Governments, no such separation was made so far as the sources of revenue of local authorities were concerned. Some of the taxes levied by local authorities are directly assessed on incomes (*e.g.*, profession tax) or are otherwise in the nature of Central taxes (*e.g.*, export and import terminal taxes).
- (4) In some cases there has been a conflict of fiscal interests between the Central Government and the Provincial Governments arising from the fact that the separation of the sources of revenue has not been complete (*e.g.*, foreign liquor).

in Council, any of the taxes specified in the Scheduled Taxes Rules, while for any other taxes the sanction of the Governor-General is necessary. The taxes which may be levied by *local authorities* under legislation passed by a Provincial Government are specified in Schedule II of the Scheduled Taxes Rules. For facility or reference, a list of these taxes is given below :—

Taxes which may be imposed by a Provincial Legislative Council without the previous sanction of the Governor-General for the purposes of the Local Government.

1. A tax on land put to uses other than agricultural.
2. A tax on succession or on acquisition by survivorship in a joint family.
3. A tax on any form of betting or gambling permitted by law.
4. A tax on advertisements.
5. A tax on amusements.
6. A tax on any specified luxury.
7. A registration fee.
8. A stamp-duty other than duties of which the amount is fixed by All-India legislation.

Taxes which a Provincial Legislative Council may impose or authorise a local authority to impose for the purposes of such local authority.

1. A toll.
2. A tax on land or land values.
3. A tax on buildings.
4. A tax on vehicles or boats.
5. A tax on animals.
6. A tax on menials and domestic servants.
7. An octroi.
8. A terminal tax on goods imported into or exported from a local area, save where such tax is first imposed in a local area in which an octroi was not levied on or before the 6th July 1917.
9. A tax on trades, professions and callings.
10. A tax on private markets.
11. A tax imposed in return for services rendered, such as
 - (a) a water rate,
 - (b) a lighting rate,
 - (c) a scavenging, sanitary or sewage rate,
 - (d) a drainage tax,
 - (e) fees for the use of markets and other public conveniences.

- (c) assessments prejudicial to imported goods as opposed to home products in dealings between separate States ;
- (d) the grant of bounties on exportation ;
- (e) the levy of charges for the use of public lines of communication which constitute a hindrance to traffic.

The financial power of the Reich is practically unlimited. The States have only those financial resources which the Reich allows to them, and any sources of State revenue already existing may be abolished or appropriated by the Reich subject to certain conditions.

(5) *Italy*.—In Italy surcharges on the Central taxes for local purposes are permitted subject to a definite maximum fixed by the Central Government in each case. So far as octroi duties are concerned, the articles which may be taxed and the maximum rates have been laid down by the Central Government.

(8) *France*.—The principal sources of local revenue in France are the octroi and the *centimes additionnels* on the State income-tax. Since the Central Government collects the *centimes additionnels*, it has complete control over this tax. As regards octroi, the machinery of collection established in the bigger cities is also under Central control.

7. From the above brief survey it will be observed that most of the restrictions imposed by the Central Government on the powers of taxation of the constituent States in a federation are in respect of taxes on consumption and taxes which affect commerce and industry. The principles underlying these may now be briefly stated—

- (1) Next to national defence, the principal motive for the formation of federations was in most cases the necessity for the maintenance of uniform conditions affecting the carrying on of trade and commerce over as large an area as possible. It is hardly necessary to emphasize the importance of this, for it is obvious that, if the taxes and charges to which commerce is subject differed greatly in different parts of the country, very serious obstacles would be placed in the way of free competition and enterprises would develop on uneconomic lines.
- (2) Certain taxes are very closely inter-connected with certain functions which are essentially Central, such as the negotiation of treaties with foreign countries. In order to discharge these functions, the Central Government must have full control over the duties upon goods entering or leaving the country.
- (3) Thirdly, it is obvious that no State or Province should be in a position to tax the consumption of other States or Provinces. Most consumption taxes are in essence levied at the source, for they are taken over when goods are brought into the country at the customs or, if levied through an excise, when

6. Before dealing with the problem in India, it may be useful to examine to what extent and on what principles taxation by subordinate authorities is regulated in foreign countries, particularly those the constitution of which is on a federal basis.

(1) *United States of America*.—In the U. S. A. certain restrictions are imposed by the constitution itself on the powers of the States and local authorities. The following are instances :—

(a) No tax or duty may be levied on articles imported from any State.

(b) No State may, without the sanction of the Congress, levy any imposts or duties on imports or exports except what may be absolutely necessary for executing its inspection laws. The net proceeds of all duties or imposts levied on imports or exports shall be for the use of the Treasury of the United States.

(c) All duties, imposts and excises shall be uniform throughout the United States.

(d) The Congress shall have power to regulate commerce with foreign nations and among the several States.

It will be observed that the States can, in theory, levy indirect taxes or excises, but if they are to comply with the terms of the constitution, the conditions are almost impossible, because every other State will have to levy the same duty.

(2) *Canada*.—Under Section 92 of the Canadian constitution, the sources of revenue of the Provinces are practically restricted to direct taxation within the Province for Provincial purposes. The regulation of trade and commerce is exclusively a federal matter.

(3) *Australia*.—Under Section 51 of the constitution, the Commonwealth is given power to legislate with respect to trade and commerce and it is exclusively vested with the powers of levying duties on customs and excise.

(4) *Germany*.—In Germany, before the War, the Central Government frequently interfered by legislation with the powers of taxation of the States and local authorities (*e.g.*, under the Customs Tariff Law of 1902, octroi duties on corn, vegetables, flour, cattle, meat, etc., were abolished with effect from April 1910). The taxes on land, buildings and trade, which were allocated to local authorities, were assessed by the Central Government. Surcharges on the Central income-tax which were collected by the Central Government, were also permitted. Under the new constitution framed after the Revolution of 1918, the Federal Government has the power of legislating for the purpose of preventing—

(a) loss of revenue or action prejudicial to the commercial relations of the Federation ;

(b) double taxation ;

- (c) assessments prejudicial to imported goods as opposed to home products in dealings between separate States ;
- (d) the grant of bounties on exportation ;
- (e) the levy of charges for the use of public lines of communication which constitute a hindrance to traffic.

The financial power of the Reich is practically unlimited. The States have only those financial resources which the Reich allows to them, and any sources of State revenue already existing may be abolished or appropriated by the Reich subject to certain conditions.

(5) *Italy*.—In Italy surcharges on the Central taxes for local purposes are permitted subject to a definite maximum fixed by the Central Government in each case. So far as octroi duties are concerned, the articles which may be taxed and the maximum rates have been laid down by the Central Government.

(8) *France*.—The principal sources of local revenue in France are the octroi and the *centimes additionnels* on the State income-tax. Since the Central Government collects the *centimes additionnels*, it has complete control over this tax. As regards octroi, the machinery of collection established in the bigger cities is also under Central control.

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- (2) Certain taxes are very closely inter-connected with certain functions which are essentially Central, such as the negotiation of treaties with foreign countries. In order to discharge these functions, the Central Government must have full control over the duties upon goods entering or leaving the country.
- (3) Thirdly, it is obvious that no State or Province should be in a position to tax the consumption of other States or Provinces. Most consumption taxes are in essence levied at the source, for they are taken over when goods are brought into the country at the customs or, if levied through an excise, when

the goods leave the place of production. In the case of many of these taxes, it is almost impossible to trace consumption of the goods. This explains why a Province or a constituent State of a federation is allowed to levy * only certain consumption taxes, such as liquor taxes, which, for other reasons, are normally transported in bond.

8. It is possible that the problem of the fiscal relations between the Central Government and the Provincial Governments in India is in some respects fundamentally different from that which federal Governments have had to solve, as India is at present a unitary State. But the following general principles, which represent in the main the experience of federal countries, in restricting the powers of taxation of Provinces and local authorities, may provide some help for a study of the Indian problem :—

- (1) No Province should be in a position to tax for its own purposes anyone outside the Province.
- (2) There should be as little opportunity as possible for interference by one authority in the legitimate field of the other and, as far as possible, the system should not involve the levy or collection on the authority of one Government of what another Government spends.
- (3) Exercise of the powers of taxation should not result in variations in the economic conditions under which industry and commerce are carried on as between different Provinces.
- (4) The Central Government should be in a position to fulfil their international obligations under commercial treaties with foreign countries.
- (5) The Central Government should be in a position effectively to prevent encroachments on its fiscal sphere and to safeguard the administration of Central subjects.
- (6) Where there is a conflict between the fiscal interests of a Province and those of the country as a whole, the latter should prevail.

9. The difficulties that have actually arisen in connection with the levy of certain taxes by Provincial Governments and local authorities will now be dealt with.

Octroi and Terminal Taxes.

10. Octroi duties in the shape of town and market dues are one of the oldest taxes in India. These duties were in existence under the ancient Hindu rulers and they continued to be levied under the Moghuls and also under the East India Company throughout northern India. The evils of these transit duties, as they were called, were so considerably aggravated under the Company's rule, that they had become a very

* The case of octroi and other consumption taxes levied by local bodies has not been overlooked here. They are governed by different considerations.

serious impediment to trade and commerce in the beginning of the nineteenth century. They were abolished by Lord Ellenborough in 1842 after an elaborate enquiry conducted by Sir Charles Trevelyan. These dues had so far been levied mainly for general State purposes, but already in 1823 the Government had commenced the practice of appropriating the dues to meet the expenditure of towns, and when in the early sixties the duties were re-imposed in many places in northern India, they appeared not as items of general revenues but as the mainstay of the revenue of the towns. They have continued to be so ever since; and they have formed the subject of numerous Government Resolutions in which general principles, not always consistent with one another have been enunciated.

11. Sir Charles Trevelyan, who became Finance Member in 1864, realised the danger of the revival of the old transit duties in the shape of town duties and issued a Resolution defining the attitude of the Government of India at that time. Subsequent Resolutions on the same subject were issued by the Government of India in 1864, 1868, 1877, 1899 and 1903. The salient features of the policy laid down in these Resolutions are as follows :—

- (1) The tax was restricted to a few articles of local consumption, and the necessaries of life were to be taxed moderately.
- (2) Provision was made for the refund of the octroi in the case of dutiable articles which were re-exported.
- (3) Municipalities were required to provide bonded warehouses or other conveniences for the storage of goods in transit.
- (4) Certain articles, such as salt, opium, liquors, liable to customs duties and imported by sea into India and also Government property were exempted from the tax.

12. In 1908 a committee, which was appointed to enquire into the question of municipal taxation in the United Provinces, examined the whole question of the levy of the octroi in great detail. They found innumerable abuses and condemned the system of octroi duties in very severe terms. Their principal recommendation was that the octroi should be abolished and a terminal tax on imports, supplemented by direct taxation, gradually substituted for it. The principal features of the terminal tax recommended by the Committee were—

- (1) The tax was to be imposed on all imports at rates lower than the existing octroi rates.
- (2) There were to be no refunds.
- (3) There was to be no *ad valorem* assessment and the tax was to be assessed on the weight passed.
- (4) It was to be collected by the railways.
- (5) Passengers' luggage and parcels were to be free.
- (6) Goods imported and re-booked without breaking bulk were not to be charged.

- (7) A corresponding impost on goods imported by road was to be levied in the shape of a toll fixed with reference to the rates on rail-borne goods.

13. These proposals were generally approved by the Government of India after consulting the local Governments, but the recommendations of the Committee have not been carried out in full by the local authorities concerned. There has been, for instance, very little development of direct taxation in the municipalities in northern India. The Government of India themselves in their Resolution of 1917 agreed that the conversion of octroi into terminal taxes should not be regarded as a step towards direct taxation.

14. The position has been radically altered by the introduction of the Reforms. Under the Scheduled Taxes Rules, as they stand at present, a reference to the Government of India is now necessary only when a terminal tax is to be imposed for the first time in an area in which octroi was not levied on or before the 6th July 1917, but once a terminal tax has been sanctioned or in towns where the terminal tax has been substituted for octroi by the local Government, the sanction of the Government of India is not required to the revision of the rates and local Governments are free to raise them to any figure they may consider necessary.

15. The recent developments in this form of taxation as indicated by the proposals that have been made or given effect to are seriously disquieting. The following have been mentioned by the Taxation Enquiry Committee in paragraph 400 of their Report :—

- (1) All pretence at imposing low rates on a few main staples has been given up. The Municipality of Nagina, for instance, in a recent schedule has proposed rates amounting to as much as Rs. 2-3-0 per maund on certain articles of apparel, rates discriminating between the produce of different countries ; and a rate equal to the full tariff of 15 per cent. (prior to the passing of the Steel Protection Act) on the raw material of the chief industry of the town.
- (2) In other municipalities in the United Provinces, where the terminal tax has been substituted for octroi, road tolls have been added, under which the terminal tax is collected according to the value of the contents of the carts ; in other words, the evils of octroi have been reintroduced without the advantage of refunds.
- (3) In certain municipalities in Bombay and the Central Provinces, a very large part of the taxation is imposed upon the main staple, cotton.
- (4) In the city of Bombay, a town duty has been imposed upon the same staple, in connection with which no refund is given on exports ; in other words, an export duty has been imposed upon half the " " " " the port.

- (5) In Karachi, a terminal tax, which again amounts to an export duty, has been imposed on traffic passing through the port, and a similar tax has been mooted in the case of Bombay.
- (6) A proposal has been made in the Presidency of Bombay for the introduction of a similar tax to be levied by local boards apparently at places which are not towns, which would thus be an undisguised transit duty.
- (7) A further proposal has been made by the Bombay Excise Committee for the levy of a transit duty, both on passengers and upon goods, as a means of restoring the excise revenue that would be lost through the introduction of prohibition.

16. In other countries it has been found necessary to regulate the levy of this form of taxation by statutory rules. The necessity for control by the Central Government is partly fiscal and partly financial. The reasons justifying control are briefly these:—

- (1) In the case of import duties, which are levied by the Central Government for revenue purposes and which have reached the point of diminishing returns, an octroi or a terminal tax levied on the same articles by local authorities will affect Central revenues.
- (2) In the case of terminal taxes, there is no provision for refunds in the case of articles which are re-exported. They, therefore, operate as transit duties and in the case of ports as export duties on the articles shipped at the port.
- (3) In places where octroi duties are levied, the rules generally provide for refunds for articles which are re-exported, but the arrangements are apt to be so vexatious and troublesome that this form of taxation is a serious impediment to through commerce and trade.
- (4) Where municipalities have been allowed to levy terminal taxes on goods exported from the town, the tax is frequently passed on to the consumer of goods outside the Municipality. A conspicuous instance in India of an attempt to carry on local services by means of taxation on non-residents is a proposal made by the District Board of Jhelum, which has within its jurisdiction the Khewra Salt Mines, to tax all salt (which is incidentally a Central Government monopoly!) exported from the district.
- (5) Terminal taxes interfere with the railway administration, since the frequent variation of the rates by local authorities makes the adjustment of railway rates a difficult process. These taxes operate, in some cases, as surcharges on the railway rates.
- (6) These taxes are objectionable from the point of view of incidence, since they are levied on almost all the articles of food consumed by the poorer classes. This point, however, is not

of great importance so far as the necessity for control by the Central Government is concerned, but, as will be observed subsequently, this aspect has not been ignored in other countries.

- (7) If an attempt is made, as has occurred in one municipality at least in India, to differentiate between foreign and indigenous articles in fixing the rates of duty, it would not be possible for the Central Government to carry out their international treaties relating to commerce.
- (8) It was recently brought to the notice of the Government of India that one municipality in Sind was levying an octroi tax of Rs. 50 per maund, equivalent to about 160 per cent. *ad valorem*, on imported hardened oils or "vegetable ghee," and two other local bodies in the Punjab have similarly levied rates as high as Rs. 40 per maund. These are practically prohibitive duties imposed on imports by local bodies in the guise of octroi and terminal taxes, and might be regarded as a breach of the spirit of the recent International Convention for the abolition of Import and Export prohibitions and restrictions, which India has signed.

17. The bearing of the powers of local bodies in regard to octroi and terminal taxes on the obligations undertaken by the Central Government in commercial treaties requires somewhat fuller explanation. The Government of India cannot enter independently into commercial relations with foreign countries, but the usual form of commercial treaty between Great Britain and any foreign country provides for the extension of the treaty to India on notice given by His Britannic Majesty's representative that its stipulations shall apply to India. It is common, however, for such treaties to contain a provision that no internal duties levied for the benefit of the State, local authorities, or corporations which affect, or may affect, the production, manufacture or consumption of any article in the territories of either of the contracting parties, shall for any reason be a higher or more burdensome charge on articles the produce or manufacture of the other than on similar articles of national origin. (Article 9 of Model Form of Commercial Treaty). Octroi and terminal duties are taken to be internal duties within the meaning of this provision, and the Government of India are not at present in a position to prevent local authorities, in the exercise of their statutory powers, from imposing these taxes at rates which differentiate between imported goods and similar articles of national origin. The Government of India might in such a case, under the provisions of Devolution Rule 49, in order to safeguard the administration of the Central subjects, 'Commerce' and 'external relations,' require the Local Government concerned to refrain from granting the previous sanction normally required by the various Local Self-Government Acts to the imposition of any taxation by a local authority. But the position is still unsatisfactory, for the Government of India cannot secure a modification of

taxation at differential rates so imposed by local authorities in the past or imposed by oversight in the future. As an instance of treaty obligations undertaken by the Government of India and the difficulties inherent in the present position, the Commercial Treaty of 1925 between Great Britain and Siam, to which the Government of India have adhered may be quoted. That Treaty provides that internal duties levied within the territories of either of the two contracting parties for the benefit of the State or local authorities on goods, the produce or manufacture of the territories of the other party, shall not be other or greater than the duties levied in similar circumstances on the like goods of national origin. From the point of view of external relations, as well as of commerce it was important that India should adhere to the Treaty immediately, and the Government of India were compelled to risk the constitutional difficulty of enforcing this provision on local bodies.

A similar difficulty exists in the case of commercial treaties under which goods produced or manufactured in India enjoy most-favoured-nation treatment in a foreign country so long as goods produced or manufactured in that foreign country are accorded in India treatment as favourable as that accorded to goods produced or manufactured in any other foreign country. If a local authority imposed on goods produced or manufactured in a foreign country to which India accords most-favoured-nation treatment, internal duties or restrictions which were more burdensome than the duties or restrictions imposed on the like goods of any other foreign country, it might amount to a breach of most-favoured-nation treatment.

Mention may also be made in this connection of the Barcelona Convention and Statute on Freedom of Transit, to which India is a party. Under the Statute, traffic in transit shall not be subject in the territories of the contracting parties to any special dues in respect of transit except such as are levied solely to defray expenses of supervision and administration entailed by such transit. It is therefore necessary that terminal taxes should not be levied by local bodies on goods which are merely transhipped at a railway station or port, that is, on goods for which no services are provided by the authority imposing the tax. A terminal tax in such cases might be regarded as an infringement of the Statute.

18. *Control exercised in other countries.*—Many European countries have felt the objections to these taxes to be so great that they have entirely abolished the octroi or have placed very severe restrictions on its levy. Belgium, Holland, Denmark, Sweden and Norway have replaced it by other taxes. France has made more than one unsuccessful attempt to abolish the duty. The French system is, however, free from one of the gravest objections to this tax, since there is provision for prompt refunds of the duty in the case of articles which are re-exported. The machinery for collection is also controlled by the Central Government. Restrictions on the levy of this tax were imposed in Germany by the Customs Tariff Law of 1902, under which octroi duties on corn, vegetable flour and other mill products, cattle, meat products and fat were pro-

hibited with effect from April 1910. In Italy the sole right of levying these duties is now given to the communes, but the articles that may be taxed and the maximum rates have been laid down by the Central Government. In direct taxation of this sort is also prohibited under the constitution of some of the British Colonies.

19. It will be observed that, under the present constitution, the Government of India have none of the powers exercised by Central Governments in other countries to regulate the levy of the octroi and its modification, the terminal tax, by local authorities. The question of amending the law governing the levy of these taxes was considered at some length by the Indian Taxation Enquiry Committee, who have made the following recommendations :—

- (a) The law governing the levy of the octroi and the terminal tax should be amended so as to prohibit the introduction of octroi duties in any municipality in which they do not exist now.
- (b) As regards the existing taxes, it is essential that control should be exercised by the Central Government in the interest of inter-Provincial trade and certain principles governing the levy of these taxes have been suggested for adoption.

20. *Abolition of the octroi.*—The principal objection to the octroi is administrative. The collection and the system of refunds, which is an essential feature of the octroi, puts the person paying the tax to a great amount of inconvenience. It is uncertain in its incidence and when it is imposed on the necessities of life, as in India, it places a disproportionate burden on the poorer classes. It is unsatisfactory as an educative influence, since it does not encourage a sense of responsibility among the electors, who as a rule do not feel the burden of the tax. In the opinion of Sir Josiah Stamp, based on theory as well as the result of experience, “no country can be progressive that relies to any extent upon the octroi which has nearly every vice.”

The tax, however, has several important and outstanding advantages. It is sanctioned by immemorial usage and it is temperamentally suited to India. The feeling against direct taxation, particularly in northern India, is exceedingly strong. This is partly due to the fact that Indians, like some of the nations on the Continent of Europe, very strongly object to inquisitorial enquiries into their income and status, which the assessment of a direct tax involves. Moreover, direct taxation in India brings the illiterate and ignorant taxpayer into contact with an ill-paid subordinate tax-collecting agency, and the taxpayer not infrequently pays much more than what actually reaches the Exchequer. The octroi, on the other hand, is directly collected from a class which is comparatively small and the members of which are, as a rule, above the average in intelligence. They are the merchants and traders of the towns, and by force of habit and experience and by the employment of a suitable agency they have learnt to make their burden as light as possible. The tax, moreover, is extremely productive and

it would be difficult in most municipalities to obtain by any system of direct taxation as large an amount as that realised by the levy of this duty. It could be urged that if the agency of collection were under official supervision, many of the abuses which now exist could be removed, that the tax is still in existence in such advanced countries as France and Italy and that if its levy were prohibited, the development of local self-government in Northern and Western India might be seriously impeded.

21. As regards the regulation of the levy of octroi duties, the Taxation Committee have made the following recommendations :—

- (a) The rates of taxation should be low in all cases and specially so in the case of necessities of life and articles that are subject to Imperial or Provincial taxation.
- (b) In order to prevent the tax from developing into a transit duty, arrangements should be made for prompt refunds on exported goods and for bonding goods intended for through transit.
- (c) The staff should be properly paid and efficiency controlled by an official agency with which the elected representatives should have no power to interfere.

These proposals, it will be observed, involve direct interference with the administration of a Provincial Transferred subject. The following alternative suggestions have been made, which contemplate that local Governments should be allowed to regulate the rates of taxation so long as they do not affect Central revenues or interfere with trade and commerce :—

- (1) The Government of India might take power to prohibit the levy of octroi duties on certain articles on which heavy customs and excise duties are levied for Central or Provincial purposes. This is the course that has been followed in Germany and Italy for the control of these taxes. The following articles would probably be included in such a list :

Sugar, matches, kerosene oil, salt, alcoholic liquors, hemp drugs and opium.

The power taken might be comprehensive, though in practice it might probably be used only in cases of the kind indicated.

- (2) The Government of India might also take power to prohibit, after adequate notice (say two or three years) the levy of octroi in municipalities where satisfactory arrangements are not made for prompt refunds on exported goods. The administrative control would still remain with the municipalities, but the Government of India would interfere in the interests of trade if the management was very inefficient.

22. As regards the terminal taxes, the Taxation Committee recommended that the following restrictions should be imposed :—

- (1) The tax should be levied on all packages with reference only to weight and without reference to contents. The rate should be kept low and the Government of India, in the interests of inter-provineial traffic and railways, should retain a full measure of control.
- (2) The tax should not be levied on goods imported and re-exported without break of bulk.
- (3) The levy of a tax on goods exported from a munieipality should not be permitted, save in exeptional cases where it is already in existenece.
- (4) Goods not leaving a railway yard or only leaving port premises for a railway and merely transhipped at the yard or port premises should not be subject to any duty whatever.

These restrictions are intended to prevent this tax from becoming an impediment to trade and commerece.

The difficulties pointed out above in regard to the fulfilment of Treaty obligations by the Government of India might be avoided by a statutory provision that notwithstanding anything contained in any law for the time being in force, no municipal or other local tax at variance with any treaty, convention, or engagement with any foreign State shall be imposed ; and that if any tax has been or shall be so imposed, it shall to the extent of such contravention be of no effect.

23. The difficulties that have arisen in connection with the levy of octroi and terminal taxes by municipalities on Government stores might also be appropriately dealt with here. It will be observed from the history of these taxes that Government stores were generally exempt until the introduction of the reformed constitution, but local authorities have now full powers to tax them at any rate they consider justifiable. The question has assumed considerable importance owing to the endeavours of certain municipalities in the Punjab to levy the tax on telegraph and military stores of all sorts, including artillery and ammunition. This suggests that the Government of India should have power either to prohibit the lvey of these taxes on Government stores or to restrict the levy to certain classes of Government stores which are primarily intended for local consumption.

24. The restritions suggested above might be imposed in two ways :—

- (a) They might be specifically referred to in the Scheduled Taxes Rules, or
- (b) the levy of these taxes might be permitted subject to any res-
trictions that might be imposed from time to time by notifica-
tion by the Government of India.

Provincial Export and Import Duties.

25. Import and export duties cannot now be imposed by Provincial Governments under the Scheduled Taxes Rules without the approval of the Governor-General in Council. There are, however, certain export and import duties levied under Provincial legislation which received the approval of the Government of India before the Reforms. The proceeds of these duties are credited to Provincial revenues under Devolution Rule 14 (1) (f) and item 48 of Part II of Schedule I to the Devolution Rules. The following are the principal duties of this class that are now levied :—

- (a) Under Section 39 of the Indian Forests Act of 1878, certain local Governments have levied import duties on timber and other forest produce which is brought from any place beyond the frontier of British India. In Assam the duty may be levied on *all* forest produce whether it comes from British India or elsewhere. The justification for these import duties is mainly administrative. In the undeveloped portions of Assam and other Provinces bordering on Indian States or foreign territories it is not possible in practice to distinguish between timber, etc., which has been cut within British India and which is liable to pay forest royalty and timber, etc., coming from outside. The imposition of an import duty diminishes the risk of payment of forest royalty being evaded. But it will be clear that the import duties must also function as protective duties and theoretically the levy of duties of such a character by a Provincial Government is obviously objectionable. The need for the imposition of these import duties, however, arises from the fact that the Central Government have not been able to maintain an effective land customs frontier. This failure on the part of the Central Government has hitherto been regarded as unavoidable for physical and geographical reasons, and the Government of India therefore have so far not felt themselves to be in a position to demand that these provincial duties should be abolished.
- (b) Under Section 32 of the Burma Forests Act of 1902, forest royalties are levied on rubber, lac and other forest produce. The royalties are, however, only charged upon produce exported and the royalty or duty is collected by the Imperial Customs Officers. These arrangements have been adopted for reasons of convenience and one important circumstance which has made it suitable to adopt them is that practically the whole of the produce is exported and it is only permitted to be exported from certain ports.

Since the impost is not levied on the produce consumed in Burma, it is indistinguishable from an export duty and obviously the unrestricted levy of export duties by a Provincial Government is highly objection-

able on grounds of general principle. There are, however, practical difficulties in the way of the abolition of these duties. In the case of rubber, which contributes most of the revenue from this source, the royalty, the imposition of which was approved by the Government of India in 1916, was levied in pursuance of an agreement with the planters who accepted the royalty charge and the system of collecting it now in force in consideration of Government agreeing to replace a system of land revenue assessment, under which the planters were liable to a maximum rate of Rs. 25 per acre, by one under which the liability of the planter in the matter of land revenue was restricted to a fixed uniform rate of Rs. 3 per acre. In other words, the duty is levied in partial substitution for land revenue assessment. Moreover, owing to the geographical features of the country, it is almost impossible to collect the various royalties in any other shape except, possibly, in the case of rubber which is grown in regular plantations. These duties are, in their economic effects, similar to land revenue assessed on gross produce.

26. Although the import and export duties referred to above are not in result seriously objectionable, it could be urged on grounds of general principle that no export or import duties or other taxes which, in their operation and economic effects, are indistinguishable from such duties, should be levied by a Provincial Government except with the approval of the Central Government and that the levy should be subject to any restrictions which may be imposed by the latter from time to time. As has been pointed out in an earlier portion of the Memorandum, provision is made for such restrictions in the constitution of the most democratic federations in Europe and elsewhere.

Taxes directly assessed on Income or Profits.

27. At present no Provincial Government has power to levy any tax directly assessed on income or profits, and in actual fact with the possible exception of the *thathameda* in Burma, which is a survival of an ancient régime, no Provincial taxes are now assessed directly on profits or income, though the land revenue system in some Provinces aims at an assessment based more or less on net assets or profits. The question of control therefore, in the case of Provincial taxes of this nature, has not so far had to be actively considered by the Government of India. On the other hand when constitutional changes are under discussion, it may be argued that there would be considerable justification for relaxing the present absolute restrictions on the levy of such taxes. The possibility of a provincial surcharge on the Central income-tax and the connected question of the extent to which the taxing powers of provincial Governments in cases of this kind should be subject to control have been discussed in the Memorandum on the revision of the Meston Settlement. It is therefore unnecessary to deal with these points here. There are on the other hand a large number of local taxes which are assessed on profits or income and under the law as it has stood since the Reforms

the Government of India are powerless to interfere with the imposition of such taxes. Instances of these local taxes are—

- (1) The Chowkidari tax in Bengal and Bihar and Orissa.
- (2) The taxes on circumstances and property in Bengal, Bihar and Orissa, Assam, the U. P. and the C. P.
- (3) The cess on mines in Bengal and Bihar and Orissa, which is assessed on the net profits of mines, tramways, forests, etc.
- (4) The tax on professions (levied in many provinces) which is assessed on income.
- (5) The surcharge on the Central income-tax, which may be levied with the approval of the Government of India under the Madras District Municipalities Act. The Government of India, however, have not sanctioned the levy in any case.

28. The unrestricted levy of these taxes by local bodies is open to the objection that it is an encroachment on the fiscal sphere of the Central Government, one of whose principal sources of revenue is the income-tax and might in extreme cases lead to multiple taxation. On the other hand, the constitutions of most countries definitely provide for the levy of such taxes by local authorities. In fact, the Central Government in many countries has encouraged this form of taxation for local purposes. For instance—

- (1) In France when the fiscal system was reformed between the years 1917-1920 and the four older taxes were replaced by a State income-tax, local authorities were empowered to levy *centimes additionnels* on this tax.
- (2) In Germany when Dr. Von Miquel introduced his great fiscal reforms in 1893 with the assistance of prominent German economists, he stated that one of the three principles underlying these reforms was that expenditure on objects of national importance, such as, public safety, public health, primary education and poor relief, should be defrayed by means of local additions to the State income-tax.
- (3) In Italy a surtax not exceeding 20 per cent. of the general income-tax is permitted for local purposes.
- (4) Even in England a local income-tax as a subsidiary source of local revenue has been strongly advocated by several authorities, and it was seriously considered by the Board of Inland Revenue in 1910.

29. In India the necessity for providing additional resources for local purposes has been universally recognised. For land, which is the most important source of local revenue in other countries, is almost exclusively taxed by the Provincial Governments, local rural authorities alone being allowed to levy a small cess on the Provincial tax. It is therefore a question for consideration whether the levy of a tax directly assessed

on income or profits should not be permitted to local authorities subject to such conditions as it may be necessary to impose in the interests of Central revenues. In one case in which the power to impose conditions has by accident survived to the Government of India they are proposing to make the following conditions :—

- (1) The tax should be subject to a definite maximum to be fixed by the Government of India in the Act authorising its levy.
- (2) The Central machinery of taxation should not be utilised either for the collection or for the assessment of tax. The object of this restriction is to emphasise to the taxpayer the distinction between the Central and the local tax.
- (3) The local tax should not be allowed as a deduction in computing profits for the purpose of levying the Central income-tax.

Excise Duties.

30. The principal excise duties that are, or may be, levied by Provincial Governments or local authorities are as follows :—

(1) Excise duties on alcoholic liquors, opium and hemp drugs.

(2) An excise on specific luxuries.

(Item 6 of Schedule I of the Scheduled Taxes Rules.)

It has been held that this includes tobacco, but no tax has actually been levied on tobacco, although some of the Provincial Governments have been considering the possibility of doing so.

(3) Some local authorities levy what is described as a cess on the output of mines. (Bengal and Bihar and Orissa Mining Act, the Jharria Water Supply Act, etc.). The cess is really an excise duty on the output of mines.

31. The general principle that the excise duty on alcoholic liquors, opium and hemp drugs, should follow consumption has been accepted by the Provincial Governments by way of agreement, but the Governments are at liberty to renounce this agreement, and it is for consideration whether the constitution should not be so framed as to empower the Central Government to insist upon the maintenance of this principle.

Conflicts of interest between the Central Government and the Provincial Governments have, however, arisen owing to the fact that, under the present distribution of resources, the customs duty on imported liquor goes to the Central revenues, while the fee for the privilege of selling the same liquor, whether in wholesale or retail, goes to Provincial revenues. Under the present system, therefore, it is possible for a Provincial Government to tap what is really a Central source of revenue by levying in the guise of vend fees or transport fees what is really an addition to the customs duty on imported liquor. The local Governments can also by various devices and restrictions encourage the s

made foreign liquor to the detriment of the sales of imported liquor and of Central revenues. For instance :—

- (1) Bombay levies a transport fee on imported liquor cleared from the Customs House in addition to the license fee for the right of vend. It has also been recently proposed to levy the license fee on a volumetric basis.
- (2) In Bengal the license fees are fixed on a volumetric basis and a minimum sale price is prescribed in the case of certain liquors.
- (3) In Bihar and Orissa and in the United Provinces the license fees are indirectly volumetric, being based on past transactions.
- (4) In the Punjab the vend fees have a direct or indirect relation to actual sales.
- (5) In the Central Provinces a minimum selling price has been fixed for imported liquors and the local Government permit the sale of certain specified brands only, this amounting to a prohibition of the importation of other brands. In so far as the prohibited brands are the products of certain countries, this prohibition also amounts to a breach of most-favoured-nation treatment.

32. There are three possible ways of dealing with the problem—

- (1) The excise duty on country-made foreign liquor might be transferred from the Provincial to the Imperial account, as suggested by the Taxation Committee. The proposal, however, would involve the employment of a Provincial agency to administer a Central subject and to protect Imperial interests. It would also make it difficult for Provincial Governments to deal effectively with the temperance problem, if foreign liquor and country-made foreign liquor were both under the control of the Central Government.
- (2) The present system under which foreign liquor is a Central source of revenue and country-made foreign liquor is a Provincial source of revenue might continue, but Provincial Governments might be prohibited from—
 - (a) lowering the excise duty on country-made foreign liquor below the tariff rate on the corresponding imported liquor, or
 - (b) fixing a minimum sale price for any imported liquor, or
 - (c) prohibiting the importation for consumption or sale of any liquor that has paid customs duty without obtaining in each of these three cases the sanction of the Government of India.

This, however, would also involve interference with the excise policy of Provincial Governments, for if the rates of excise on country-made foreign liquor were to be fixed by the

Central Government, it would be difficult for the Provincial Governments to raise the excise duty on country-made liquor beyond a certain figure.

- (3) The customs duty on imported liquor might be abolished altogether, liquor allowed to be imported and transported in bond and Provincial Governments might be allowed to levy such excise duties as they thought fit on foreign liquor consumed in their territories. If the sacrifice of revenue involved in this proposal could not be made by the Central Government, the local Governments might be required to make to the Central Government an assignment of a percentage of each year's excise revenue on liquor equal to the percentage that customs duty on liquor bears to the present total of customs duty and excise duty and fees.

An alternative to this would be to fix the customs duties on imported liquors on an *ad valorem* basis, such liquors being treated as a luxury article and subjected to a duty of 30 per cent. instead of the existing duties which range between 75 per cent. and 100 per cent. Local Governments might be allowed to levy excise duties at any rate they considered necessary on foreign liquor consumed within their jurisdiction.

If either of the above two alternatives under (3) were adopted, it would be necessary in order to enable the Central Government to fulfil their obligations under existing commercial treaties with foreign Governments, to impose the condition that the Provincial excise duty on country-made foreign liquor should not be lower than the excise duty on imported liquor. The second of these alternatives has been accepted by the Provincial representatives who attended the annual Finance Conference held in November 1927, although it had not the political advantage that the first alternative might be able to claim if it were coupled with the assignment suggested, namely, that the extent to which the Provincial revenues would depend upon revenue from the liquor traffic would not be increased, and the Provincial Governments and the Central Government would share the loss of revenue resulting from a policy of Prohibition in the same proportions as they would share such a loss if existing arrangements were maintained.

Other Excises.

33. No Provincial duties or taxes are now levied on any luxury articles, such as tobacco, but the possibility of such taxation in the future has to be borne in mind in considering the question of the control which the Central Government should exercise over the powers of taxation of Provincial Governments. If any Provincial Government decides to levy an excise on tobacco, it is a matter for consideration whether the Government of India should have power to ensure that the tax is levied in accordance with the principle that duty should follow consumption.

34. The local cesses based on output referred to in paragraph 29 may be theoretically unobjectionable, if such local taxation is mainly imposed on the principle of payment for services rendered. For if the cess is assessed on the total profits, a mine which is making a small profit or losing money pays little or nothing towards the local services, nor is the amount of profit any real measure of the services rendered to the mine by the local authority. To prevent the abuse of taxation based upon output, however, it would have to be considered whether the Central Government should have the power to restrict the rate of taxation to a maximum fixed by them in the Act authorising the levy of the cess; as otherwise the cess might be made to disguise what was in intention and effect an export duty or an excise duty, which the Provincial Government would not be empowered to levy directly as such.



**FINANCIAL RELATIONS BETWEEN THE GOVERN-
MENT OF INDIA AND THE PROVINCIAL
GOVERNMENTS.**

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C.—EXPENDITURE.

Position before the Reforms.

35. The following are the stages in the devolution of powers of expenditure by the Secretary of State :—

- (1) Section 41 of the Government of India Act, 1858, which regulated the expenditure of Indian revenues, ran as follows :—

“The expenditure of the revenues of India, both in India and elsewhere, shall be subject to the control of the Secretary of State in Council; and no grant or appropriation of any part of such revenues, or of any other property coming into the possession of the Secretary of State in Council by virtue of this Act, shall be made without the concurrence of a majority of votes at a meeting of the Council.”

The entire responsibility for the control of expenditure from Indian revenues was thus vested by the statute in the Secretary of State in Council. In order, however, to provide for the more speedy transaction of public business, the Secretary of State from time to time prescribed limits within which expenditure might be incurred by the Government of India without previous reference to him on each occasion. These restrictions before 1889 were embodied in executive orders, rules and regulations issued by the Secretary of State.

(2) In 1889 for the first time a Resolution was issued indicating precisely the limits of expenditure which the Governor General in Council could incur without previous reference to the Secretary of State. Under this Resolution, which was re-issued with certain modifications in 1893, the sanction of the Secretary of State was required for—

- (a) the creation of an appointment of which the salary exceeded £200 a year ;
- (b) the raising of the salary of an existing appointment to an amount exceeding £333 a year ;
- (c) the revision of an establishment at a cost of more than £1,667 a year ;
- (d) the incurring of expenditure which under any of the various codes required the Secretary of State's sanction ;
- (e) the construction of a public work from borrowed funds ;
- (f) the construction of a public work charged to revenue which was estimated to cost more than £83,000 ; and
- (g) the construction of any railway except short additions of local interest.

It was then understood that by this Resolution the Secretary of State in Council had formally *delegated* the authority entrusted to him for expenditure in India except in cases where he had by special order or by established practice reserved to himself the exercise of that authority.

(3) In 1908, when the Audit Resolution was under discussion, the constitutional position was elucidated. It was pointed out that the Secretary of State in Council had no power to divest himself of responsibility as regards expenditure and that he could not make any general assignment of his control. It was held that any such delegation of control, either to the Government of India or to any Province or body serving under it, would be an evasion of the spirit and infraction of the letter of the Act of Parliament. In the following year the powers of the Government of India and local Governments in respect of expenditure were extended.

- (4) The question of further extension of these powers was examined exhaustively by the Royal Commission on Decentralization, which was appointed in 1907, and as a result of their recommendations these powers were enhanced considerably. ८३
- (5) In 1916 the following proviso was added to Section 41 of the Government of India Act, 1858 :—

“ Provided that a grant or appropriation made in accordance with the provisions or restrictions prescribed by the Secretary of State in Council with the concurrence of a majority of votes at a meeting of the Council shall be deemed to be made with the concurrence of a majority of such votes.”

This amendment defined more precisely the constitutional position as it had developed during the preceding years and legalised the delegation of power by the Secretary of State to authorities in India.

Control by the Government of India.

36. The control of the Secretary of State over the powers of expenditure of the Government of India and Provincial Governments has so far been dealt with. As regards the powers of control of the Government of India over Provincial Governments, the constitutional position before the Reforms was briefly as follows :—

Under Section 45 of the Government of India Act, every local Government was bound to obey the orders of the Governor General in Council and “ to keep him constantly and diligently informed of its proceedings in all matters which in its opinion should be reported to him or as to which he requires information.” Since the Government of India were generally responsible for provincial solvency, the financial control that was exercised was detailed as well as rigid and financial settlements were based definitely on the requirements of the various provinces. So far as provincial expenditure was concerned, the Provincial Governments exercised certain limited powers delegated to them by the Secretary of State.

Position under the Reforms.

37. One of the fundamental principles laid down by the authors of the Report on Indian Constitutional Reforms as the basis for the new constitution was that the provinces should be given “ the largest measure of financial independence of the Government of India which is compatible with the due discharge by the latter of its own responsibility.” This was to be effected partly by a complete separation of the sources of revenue and partly by a relaxation of the orders under which proposals for Provincial expenditure had to be submitted to the Secretary of State for his approval. The broad outlines of the procedure by which this object was to be achieved are indicated in paragraph 59 of the First

Despatch of the Government of India on Indian Constitutional Reforms. They are briefly as follows :—

- (a) *Public Services*.—In regard to all-India Services, the Secretary of State should retain virtually all his then existing powers for the pay and strength of the cadres while abrogating them in regard to other Services. As regards subsidiary matters, such as temporary appointments, foreign service, allowances, leave rules, age of retirement, etc., broad fundamental regulations were to be laid down and all details were to be left to be administered in India in accordance with those regulations and under scrutiny of Audit. The scales and general conditions as regards pensions were to be incorporated in rules framed under the Act.
- (b) *Staff of Public Offices*.—All minor restrictions on the powers of Provincial Governments should be removed, subject only to the condition that the Secretary of State's approval should be obtained in cases where the outlay exceeded a high and definite pecuniary limit or, in the alternative, where certain fundamental principles of administration are involved.
- (c) *Public Works*.—In regard to expenditure on public works, a high monetary limit should be imposed up to which works might be undertaken by Provincial Governments without reference to the Secretary of State.
- (d) *High Officials*.—In regard to the amenities of High Officials, there should be no relaxation of the Secretary of State's control.
- (e) In regard to expenditure of an unusual nature or devoted to objects outside the ordinary work of administration, certain canons of propriety were to be laid down to be enforced in India under the surveillance of audit.
- (f) *Audit*.—There should exist a powerful and independent Central audit, which would bring financial irregularities and misdemeanour prominently before the executive and the legislature.

38. In pursuance of these decisions, rules were drafted by the Government of India and submitted for the approval of Parliament. The principal features of these rules were as follows :—

- (a) The rules included what are now known as the canons of financial propriety.
- (b) No attempt was made to separate the rules relating to transferred and reserved subjects.
- (c) The rules in respect of transferred subjects imposed restrictions on the creation of appointments in the cadre of an all-India Service, on the creation of temporary appointments, on the grant of pensions, on the grant to officers of allowances, etc.,

not admissible under rules made under Section 96-B. The rules as regards expenditure on reserved subjects raised the limit of expenditure on irrigation schemes to Rs. 50 lakhs and on revisions of establishment from Rs. 50,000 to Rs. 15 lakhs. These restrictions were retained so as to ensure, in the case of the largest irrigation works, that the most competent expert advice was enlisted in their preparation, and in the case of revisions of establishment because some revisions might affect other provinces.

(d) No sanction was valid without appropriation.

39. The Joint Select Committee, which revised these draft rules, made very important alterations.*

- (a) In the first place, they considered it essential to draw a clear distinction between the powers of a Provincial Government to sanction and incur expenditure on transferred subjects and its powers in relation to expenditure on reserved subjects.
- (b) In the second place, they considered it unnecessary and undesirable to prescribe by statutory rules the extent to which the Secretary of State in Council was prepared to delegate to Provincial Governments his powers of control over expenditure on reserved services. They recommended that such delegation should, as in the past, be by means of executive orders made in virtue of the power conferred by the proviso to Section 21 of the Act.
- (c) The rules relating to transferred subjects (Schedule III to Devolution Rules) imposed restrictions only on the creation of appointments ordinarily held by members of all-India Services, on the creation of temporary posts carrying a salary exceeding Rs. 4,000 a month and on the grant of allowances and pensions not admissible under rules framed under Section 96-B. Subject to these limitations, Ministers were to be as free as possible from external control, and the control to be exercised over expenditure on transferred subjects was to be exercised by the provincial legislature and by that body alone.
- (d) The portion of the Government of India's draft containing the canons of financial propriety was omitted, because the Committee considered that it would be constitutionally impossible for the Secretary of State to take power in the rules which he is to frame to intervene in the administration of transferred subjects for the purpose of securing compliance with these canons and it would be inappropriate to lay down conditions in these rules which, so far as the Ministers were concerned, there would be no power to enforce. They recom-

* Report of the Joint Select Committee on the Draft Rules made under the Government of India Act.

mended that the substance of these rules should be incorporated in the rules to be framed by the Secretary of State in Council under Section 39 of the Act for the purpose of prescribing the duties of the Auditor General, that the duty should be specifically laid upon that authority of conducting his audit with reference to these canons and that any breach which he detected should be brought promptly to the notice of the local Government and of the Committee on Public Accounts. The Committee also stated that it would be the duty of the Legislative Council to rectify irregularities of this description, and the manner in which notice had been taken of reports of the Auditor General would be an obvious point to which the Parliamentary Commission would be likely to direct its attention.

40. The introduction of the Reforms has therefore had the result of transferring the control over expenditure in respect of transferred subjects from the Secretary of State and the Government of India to the Legislative Councils, except in the case of all-India Services. The powers of expenditure of Provincial Governments in respect of reserved subjects have been defined in a Resolution of the Secretary of State in Council, commonly known as the Provincial Audit Resolution. The restrictions that have been imposed are similar to those that apply to transferred subjects, but the Secretary of State has retained control in respect of capital expenditure on certain schemes and extensive revisions of establishment involving heavy expenditure. So far as the Government of India are concerned, there is practically no control over Provincial expenditure. They can merely offer their advice or their comments in forwarding schemes, for the sanction of the Secretary of State.

41. There has been a further devolution of power since the introduction of the Reforms. The Royal Commission on the Superior Civil Services in India recommended that Provincial Governments should be given control not only over the newly Provincialised services in the transferred Departments but over all Provincial Services. Under the Civil Services Delegation Rules of 1926, Provincial Governments have now complete power to make rules regulating the method of recruitment, conditions of service, pay, allowances, pensions, etc., of Provincial Services, subordinate Services and special posts.

42. It will thus be observed that control over provincial expenditure is now limited to—

- (a) the pay, allowances, etc., of all-India Services,
- (b) the expenditure of the Provincial Governors,
- (c) revisions of establishment in the reserved subjects, involving an annual expenditure exceeding a certain limit, and
- (d) capital expenditure upon irrigation and navigation works, including docks and harbours, and upon projects for drainage, embankment and water storage and the utilisation of water-power, where the original estimate exceeds Rs. 50 lakhs.

The question of the retention of control in respect of the first two cases raises administrative and constitutional issues, the decision on which must depend on considerations other than financial. It is therefore not proposed to deal with them here. The degree of control that should be exercised by the Secretary of State and the Government of India over irrigation has been a subject of discussion for several years. Nominally this control rests with the Secretary of State in Council, whose sanction is required to these projects, but actually, since he maintains no advisers on irrigation matters, he exercises the control through the Government of India through whom the estimates are submitted to the Secretary of State. The Government of India, however, have experienced considerable difficulty in exercising effective control, for the following reasons :—

- (1) In the first place, Provincial Governments are now financially responsible for their irrigation works and the revenue accruing from them forms part of their resources. No new work can be initiated unless and until a demand for the grant of necessary funds has been submitted to the local Legislative Council.
 - (2) In the second place, the efficiency, both technical and financial, of an irrigation project depends upon points of detail as well as upon the general wide conception of the scheme, and Provincial Governments are, not unnaturally, somewhat reluctant to accept advice on points of detail from outside authorities who cannot claim to possess any local knowledge. Nor are the Government of India in a position to ensure that they are put in possession of all the facts necessary for the formulation of a correct opinion.
43. There are two possible ways of dealing with the present position—
- (a) Irrigation might be included in the list of Transferred subjects. This alternative, however, raises issues of an administrative character, and the question need not therefore be discussed here.
 - (b) The limitations imposed by the audit resolution might be deleted and the present detailed technical control of the Secretary of State and the Government of India abandoned.

The question was discussed at great length with the Provincial Governments who were generally inclined to accept the second alternative, provided efficient machinery was created to prevent any province from launching upon a project likely to be detrimental to the best interests of any other province. Most of them considered that a second professional opinion on technical questions should be made available to them. It was suggested that a possible solution would be the formation of a Central Irrigation Board of Provincial Chief Engineers together with the Consulting Engineer to the Government of India, whom the Provincial Governments

could consult whenever a new project was about to be sanctioned. Under the new system, on the application of a Provincial Government, the Government of India would convene a sub-committee of this Board consisting of Chief Engineers who have had recent experience of works akin to those to be discussed, who would advise the local Government concerned on the questions at issue. The local Government asking for the Board would pay the travelling and halting allowances of its members; but their pay would continue to be borne by the Government to which they belonged, which would obtain in return the right to call for a Board whenever it required. It would be obligatory for a local Government to place all new projects the estimated cost of which would be Rs. 50 lakhs or over before the Board for advice on their technical aspects.

44. A Central Irrigation Board for advisory purposes has been functioning since 1927, but the Secretary of State has not divested himself of control over expenditure on irrigation schemes. Even if irrigation were transferred, it is a question for consideration whether such a Board should not be retained not only in the interests of the provinces themselves, but also to deal with schemes that affect more than one province or an Indian State.

D.—PROVINCIAL BORROWING.

45. Before the Reforms, local authorities such as Port Trusts and the larger municipalities were allowed, subject to certain restrictions, to borrow small amounts in the open market on local security. This right, however, was never accorded to the Provinces, partly because the revenues of India were legally one and indivisible and were liable for all debts incurred for the purposes of the Government of India, and Provincial Governments possessed no separate resources on the security of which they could borrow. This privileged position gave the Government of India an effective means of ensuring Provincial solvency and the right of detailed interference for this purpose.

46. Even as regards what was known as the Provincial Loan Account, the control was very detailed. The procedure observed was briefly as follows. Every year the Provinces submitted an estimate of their requirements for the following year in respect of loans to cultivators and to municipal and other authorities. The Government of India provided the net amount after making such reductions as were necessary on account of their borrowing programme for the year. The principal features of the working of the system are described below ;—

- (1) The purposes for which local authorities might borrow were laid down in an all-India Act (Local Authorities Loans Act, 1914). The minimum rate of interest and the maximum

period of repayment for loans were fixed from time to time by rules under the Act, but the Provincial Government was allowed, without reference to the Government of India, to remit the payment of interest, to postpone an instalment due in repayment of capital, to write-off any bad debt and to charge a penal rate of interest on arrears.

- (2) Loans to cultivators were regulated by another Act, but on similar principles. Provincial Governments were given complete freedom as regards the security for and the terms of these loans, except that they were bound to charge a higher rate of interest than that which they themselves paid to the Government of India. Maximum periods of repayment were prescribed by rules. The Provincial Governments normally charged a uniform rate of interest on all loans to cultivators. The difference between the rate of interest charged by the Government of India and that charged by the Provincial Governments to cultivators was credited to Provincial revenues.
- (3) Repayments to the Provincial Loan Account in respect of previous loans were available to the Provinces for making fresh advances and the Provincial estimates were therefore based on net figures.
- (4) Repayments to the Account were not taken into account in fixing the rate of interest to be charged on new advances made by the Central Government. The provinces were charged the same rate of interest as the Government of India had to pay for new money.

47. These severe restrictions were necessitated not only by the constitutional position but also by certain practical considerations. The total market for borrowing before the War was very limited and the British market was very sensitive. It was, therefore, necessary to control the total borrowings by one agency. If the Provincial Governments had independent powers of borrowing, there was a possibility of the rates being forced up and the market dislocated and credit possibly impaired by indiscreet ventures.

48. The question of relaxing the control of the Central Government was considered by the authors of the Report on the Constitutional Reforms, who came to the conclusion that if Provincial Governments were to enjoy such real measure of independence as would enable them to pursue their development policy, they must be given some powers, however limited, of taking loans. They recognised the impossibility of allowing Provincial Governments to compete with the Government of India in the open market but emphasised the importance of the principle that, as far as possible, the Central Government should regard an application for a loan "solely from the standpoint of finance and not from that of administration and that if it had the money and was

satisfied with the arrangements for financing the loan, it should not withhold sanction.”* They came to the conclusion, however, that, in order to avoid harmful competition, Provincial Governments must continue to do their borrowing through the Government of India. If the Central Government found itself unable to raise sufficient money to meet all the demands of the Provinces in any particular year, a fair and equitable distribution between the Provinces should be made by a small committee on which the Central and the Provincial Governments were represented. They also recommended that if the Central Government was not able to raise the money and if there was good reason to believe that a Provincial project would attract money which would not be elicited by a Government of India loan, the Provincial Government should be allowed to have recourse to the Indian market subject to the approval of the Government of India to the method of borrowing, including the rate of interest, etc.

49. These proposals were subjected to considerable criticism by the Provincial Governments, some of whom desired unrestricted power of raising loans for Provincial purposes and most of whom objected to any scrutiny by the Central Government of the purposes for which a Provincial loan was raised or required. The Government of India, however, expressed their concurrence with the proposals in the report on constitutional reforms. They stated that the temporary unproductive debt which had to be redeemed or funded during the years 1918 to 1928 amounted to £75 millions, which was a very big figure for the Indian market. There was also the certainty of heavy borrowings for railway development. Their detailed proposals were briefly as follows :—†

- (1) Priority should be given to loans required for famine relief and for financing the Provincial Loan Account.
- (2) Apart from these special cases, Provinces should not borrow except for capital purposes.
- (3) Establishment of sinking funds should be prescribed at least in the case of unproductive debt.

50. The rules that were framed in pursuance of these decisions underwent considerable changes during examination by the Joint Select Committee, who considered that loans raised in India should be differentiated from those raised in the United Kingdom for the purpose of prescribing the sanctioning authority and that the Government of India or the Secretary of State, as the case may be, should retain control over the effective rate of interest to be paid and the amount and form

* Report on Indian Constitutional Reforms, paragraph 211.

† First Despatch on Indian Constitutional Reforms, paragraph 62.

of the issue.* The restrictions imposed by the statutory rules (commonly known as the Local Government Borrowing Rules), as revised by the Joint Select Committee, may be summarised as follows :—

- (1) The purposes for which loans may be raised were specified, the purposes being—
 - (a) to meet capital expenditure,
 - (b) to meet any class of expenditure on irrigation which was previously met from loan funds,
 - (c) for famine relief and relief works,
 - (d) for financing the Provincial Loan Account, and
 - (e) for repayment and consolidation of loans raised, or repayment of advances made by the Central Government.
- (2) No loans can be raised by a local Government without the sanction of the Governor General in Council or, in the case of a loan to be raised outside India, of the Secretary of State in Council.
- (3) In sanctioning the raising of a loan, the Central Government or the Secretary of State may specify the amount of issue and any or all of the conditions under which the loan shall be raised.
- (4) Interest on the loans raised is a prior charge on the revenues of the Provincial Government subject to certain exceptions.

51. The most important development since the Reforms in the relations between the Central Government and the Provincial Governments so far as borrowing is concerned is the establishment of the Provincial Loans Fund. The main object of the scheme, which was introduced in 1925, was to regulate the terms and conditions, the rate of interest and the period of amortisation of all advances made by the Central Government to the Provincial Governments. The salient features of the scheme are briefly indicated below :—

- (1) The Fund is intended to be self-supporting and independent of the debt of the Central Government. All advances to Provincial Governments are made through this Fund, to which have also been transferred all the capital liabilities of the Provincial Governments to the Government of India on the date of the establishment of the Fund.
- (2) The Fund is worked on the principle that if a Provincial Government makes suitable arrangements for the payment of interest and amortisation, money will be made available

* Second Report of the Joint Select Committee on Draft Rules under the Government of India Act, paragraph 3.]

from the Fund to the full extent of the province's requirements. The Government of India will normally refrain from scrutinising the purposes for which loans are required by the province, the selective influence being provided by varying the terms of interest and repayment according to the object for which the money is borrowed. The rate of interest charged by the Central Government on advances to the Fund is determined on the basis of the cost of new borrowing, but the rate of interest charged for advances made out of the Fund to Provincial Governments varies according to the nature of the scheme for which the loan is required. The standard rate of interest calculated on certain principles is charged on all advances required for capital expenditure which could be classed as productive. For all other advances the rate is $\frac{1}{4}$ th per cent. above the standard rate. Under the rules regulating the Fund no advances can be made out of the Fund unless the Provincial Government provides annually out of its ordinary revenue from the date of borrowing a sum sufficient to redeem it within a period not exceeding eighty years.

- (3) The Fund does not affect the right of provinces to borrow in the open market subject to the conditions laid down in the Local Government Borrowing Rules, and the Government of India retain full power to refuse or suspend advances to the Fund, if the financial position of India renders such a course imperative.

52. Such in brief is the present position. The question might arise whether if the Provincial Governments were made financially autonomous or if the present system of allocation of revenues were abandoned and provincial revenues were vested in the Provincial Governments, it would be necessary to retain any of the restrictions now imposed on the borrowing powers of Provincial Governments. If any such development should take place the question might still have to be considered whether co-ordination of the borrowing activities of Provincial Governments would not be necessary in the interests of the provinces themselves and of India as a whole. The following are considerations bearing on this question :—

- (a) In the first place, the provinces would get money at a cheaper rate if it were borrowed on the combined credit of the provinces and the Government of India. The following statement compares the rate of interest at which Provincial Governments were able to borrow money in the open market with the rates for the Government of India loans raised in the same year. It will be observed that the effective rate of interest on provincial loans is higher in every case than the corresponding rate for the Central Government loans.

Statement comparing the rates of Interest paid by the Provincial Governments on loans raised from the Public with the corresponding rates paid by the Central Government.

Provincial loans.	Amount in lakhs of rupees.	Effective rate of interest per cent.	Rate of interest on the Government of India loans in the same year.	Difference in interest per cent.	Net loss per annum in the shape of interest in lakhs of rupees.
The Bombay Development Loan, 1920.	9,39	7.13	6.57	0.56	5.26
The United Provinces Development Loan, 1921.	4,20	7.36	6.57	0.79	3.32
The Punjab Development Loan, 1923.	1,92	6.26	5.88	0.38	0.73
The Punjab Development Loan, 1925.	89	5.76	5.48	0.28	0.25
				Total	9.56

(b) In the second place, it would seem to be very undesirable for the Government of India and the Provincial Governments to compete against one another in the open market as regards their loan operations.

(c) In the third place, Bombay and Calcutta are the two principal money markets of India and other provinces would be at a disadvantage in raising money at these two cities.

It is therefore a question for consideration whether even if complete provincial financial autonomy were conceded, it might not be desirable for the Provincial Governments and the Government of India to borrow money on a system of co-operation through a common agency. This would seem particularly advantageous in the case of loans raised outside India. Appended to this Memorandum is a note describing a scheme worked out in broad outline by the Finance Department of the Government of India for the constitution of a body of National Debt Commissioners for India, which it is suggested might be entrusted with the work of investing the various funds now deposited with the Government of India and also with the management of the borrowing operations of the Provincial Governments. (See Appendix I.) If such a body were constituted the Central Government would ordinarily raise its loans through the Commissioners or in consultation with them. The scheme has not yet been examined by the Government of India as a whole and they are not committed either to the principle underlying it or to the detailed propositions. It may be noted in this connection that a Loan Council consisting of representatives of Commonwealth

and State Governments has recently been constituted in Australia to deal with all borrowing for both Commonwealth and States.

53. A brief reference may here be made to a question which has been the subject of controversy ever since the introduction of the Reforms, viz., the justification for payment of interest by Provincial Governments on capital expenditure incurred by Government upon the construction of protective irrigation works before the Reforms. Under Devolution Rule 24, the capital sums so spent by the Governor General in Council on works that have been handed over to the management of Provincial Governments are regarded as advances made to the Provincial Governments from the revenues of India and interest is paid by the Provincial Governments on these sums.* When the question was under discussion in 1919, the Government of the Central Provinces protested very strongly against the proposal, on the grounds that the works were constructed out of revenue (mostly out of Famine Insurance Fund Grant) and not out of loan funds and that they were not remunerative. The Government of India urged that the levy of interest charges was justified since—

(1) the money spent out of the Famine Insurance Grant on these works would otherwise have been available for the productive works programme, and

(2) the protective irrigation works might later become productive.

The provincial point of view was laid before the Meston Committee, the Secretary of State and the Joint Select Committee, who all agreed with the Government of India.

54. The question was discussed at the Conference of Financial Representatives in 1922, but it was decided that there was no justification for a change in the system until the provincial contributions had been entirely remitted.

E.—REMITTANCE AND RESOURCE ARRANGEMENTS.

55. The questions of the control over the resources (taxation and borrowing) of Provincial Governments and over their powers of expenditure have been dealt with in the preceding sections. The working of the financial machinery by which provinces are kept supplied with funds during the year at the numerous paying centres in India and in England, sufficient in all cases to meet immediately the local demands on them, and by which the accounts of all Government transactions are compiled and audited, brings the Central Government into contact with the Provincial Governments at numerous points; and in order

* Devolution Rule 24 (1).

to avoid friction being engendered and to ensure the smooth working of the mechanism, certain powers of control in respect of these matters have been vested in the Central Government and the Secretary of State. These powers are briefly described below :—

- (1) Under Rule 16 of the Devolution Rules made under Section 45-A of the Government of India Act, the Governor General in Council is the sole custodian of the public account, into which are paid all monies derived from sources of provincial revenue. He has also the power, with the previous sanction of the Secretary of State in Council, to prescribe by general or special order the procedure to be followed in the payment of monies into and in the withdrawal, transfer and disbursement from the public account, and for the custody of money standing in the account.
- (2) Under Rule 21 of the Devolution Rules, the Governor General may, at any time when he considers such a course essential in the financial interests of India as a whole, require any local Government so to regulate its programme of expenditure as not to reduce the balance at its credit in the public account on a specific date or dates below a stated figure. He also has the power to take the necessary steps by the restriction of issues of money to secure this end.
- (3) Under item 15, Schedule I, Part I of the Devolution Rules, the Indian Audit Department, which compiles and audits the accounts of the transactions of the Provincial and Central Governments, is a Central subject.
- (4) Section 96-D of the Government of India Act provides for the appointment by the Secretary of State of an Auditor General in India who is in some respects independent both of the Central Government and the Provincial Governments. This official has been entrusted, by rules made under the same section, with the duty of auditing all expenditure in India and also of compiling the Finance and Revenue Accounts of India. He has been given the necessary power to enable him to discharge his statutory functions as well as certain administrative powers over the Indian Audit Department.

56. For an adequate discussion of the various issues that have arisen during the last eight years in connection with the exercise of these powers, it is necessary briefly to describe the very complicated financial system that has been gradually evolved in the course of the last fifty years or more. At the headquarters of each district in India, there is a Government treasury, usually called the district treasury, which has under it several sub-treasuries distributed throughout the district. Into these treasuries and sub-treasuries, which number over 1,500, are paid the entire public receipts of the Government of India as well as of the Provincial Governments and from them are made all the payments on behalf of all the Governments. They are, however, wholly under the

administrative control of the Provincial Governments, who also bear the entire cost of the establishment. In places where there is a branch of the Imperial Bank of India, the treasury business is conducted for Government by the bank. There is nothing in the Indian arrangements corresponding to the system of exchequer issues in England which effectively prevents the spending authorities from getting possession of more money than Parliament has granted them. There is no periodical issue of credits to the various Departments, and provided orders for payment are issued by authorised Government officials, the bank or the treasury, as the case may be, makes the payments, without enquiring whether the grant has been exceeded.

Compilation of accounts.

57. The process by which these receipts and payments are consolidated into the "Finance and Revenue Accounts of the Government of India" annually presented by the Secretary of State to both Houses of Parliament is briefly described below * :—

- (a) The receipts and payments made at the treasuries are compiled at each district treasury into a monthly account which is sent to the provincial Accountant General. In the case of certain large departments, however, *e.g.*, the Railway, Military, and Posts and Telegraphs, payments are made into the treasury through the departmental officers, who also draw money by cheques or otherwise from the treasury. These departmental officers send the monthly detailed accounts of their transactions with the treasuries to their own Accounts and Audit officers and not to the provincial Accountants General. At this stage so far as treasury transactions are concerned, no distinction is made between Central and Provincial items.
- (b) The next stage in the process is the classification of these receipts and payments under the appropriate heads of account. A certain amount of classification work is done at the treasuries and departmental offices, but the bulk of the accounting work including the consolidation of the accounts is done at the offices of the provincial Accountants General and other Accounts and Audit offices.
- (c) Then comes audit which, as regards receipts, is confined to seeing that all sums receivable by Government are duly received and recorded. The audit of receipts is mainly done by the revenue authorities concerned. As regards expenditure, apart from the limited preliminary check applied at the treasury, the audit is conducted by trained audit officers

* The description of the accounting system is taken from Pritchard's "Introduction to Indian Government Accounts" and the Account Code.

(civil, railway, military, etc.), who with the aid of large staffs scrutinise expenditure over its whole extent and see that it is in accordance with the elaborate codes, sanctions and orders framed for its regulation.

- (d) The last stage is compilation. The monthly accounts received from the treasuries and departmental officers and already classified and audited are compiled into consolidated monthly accounts of provinces, railways, military districts and other audit circles. Extracts of the Civil, Posts and Telegraphs and Railway accounts are submitted to the Controller of the Currency, who consolidates them month by month. The functions of this officer will be presently described.

The accounts of receipts and payments occurring in England, which are controlled, audited and finally booked against the respective Governments and heads of accounts in the offices of the Secretary of State and the High Commissioner for India, are also sent to India. The Auditor General consolidates the annual accounts of all public offices in India as well as the accounts of transactions in England into one annual account for the whole country. This account is presented by the Secretary of State to both the Houses of Parliament and is called the "Finance and Revenue Accounts of the Government of India."

Ways and Means.

58. As has already been explained, the Central Government is the sole custodian of the cash balances of all the provinces and on it therefore devolves the duty of maintaining a cash balance at all times during the year, both in India and in England, sufficient to meet the demands on the Provincial and the Central Governments. These cash balances include not only the revenues of these Governments but also—

- (1) the large amounts borrowed by Government for capital expenditure on railway and irrigation ;
- (2) the 'unfunded' debt of India, a term which is applied to a large number of interest-bearing obligations consisting of funds deposited for various purposes, such as—
 - (a) Service Funds,
 - (b) Post Office Savings Bank deposits,
 - (c) Post Office Cash Certificate receipts,
 - (d) Provident funds,
 - (e) Postal Insurance and Life Annuity Funds, etc. ;
- (3) various statutory and other funds on which the Government of India have to pay interest, such as—
 - (a) the Famine Insurance Fund,
 - (b) depreciation, etc., funds of certain commercial departments ;

(4) certain deposits, such as—

(a) the deposits of local bodies,

(b) departmental and judicial deposits, and various other accounts in regard to which the Government acts as banker, remitter, borrower or lender.

These balances, it may be noted, are utilised not only for meeting the ordinary cash outgoings but in part also for financing the capital programme of the Government of India and for advances to the Provincial Loans Fund.

59. The process by which an adequate cash balance is maintained at the numerous treasuries and sub-treasuries scattered all over the country is briefly as follows :—

A forecast is first made of the opening balances of the year and of the monthly incomings and outgoings of all kinds belonging to the Central Government and all the Provincial Governments. By raising a loan or by reducing the amount proposed for expenditure, the estimated Government balance is normally never allowed to fall below a minimum figure. The method by which this cash balance is distributed between the numerous sub-treasuries all over the country so that each shall have at all times sufficient funds to meet the demands on it is much more complicated and it is very closely connected with the working of the Indian Paper Currency Act. Under the provisions of this Act, the amount of currency notes in circulation at any time may not exceed in value the amount of coin, bullion and securities held in the Paper Currency Reserve by the Secretary of State for India and the Government of India. The Security Reserve consists of securities held by the Secretary of State in England and securities held by the Governor General in Council, which latter are kept in the custody of the Controller of the Currency. A portion of the metallic reserve is kept partly in currency offices and partly in what are called currency chests which are maintained at every district treasury and a large number of sub-treasuries. The object of maintaining these currency chests, which are a peculiar feature of the Indian system, is to prevent money being unnecessarily locked up in treasury balances and to facilitate the transfer of funds as explained below :—

“ Notes held in a currency chest are not in circulation within the meaning of the Indian Paper Currency Act, while coin held in a currency chest is part of the reserve held by Government against notes that are in circulation. Assuming that there are no transactions elsewhere, the deposit of notes in a currency chest decreases the amount of notes in circulation and the deposit of rupees in a currency chest increases the amount of coin in the Paper Currency Reserve. A deposit of coin or notes in a currency chest thus enables Government to issue notes elsewhere up to the amount of

the deposit without exceeding the limits of circulation laid down by the Act. If, therefore, a transfer of funds from the treasury balance at A to the treasury balance at B is required, this can be effected at short notice and without the actual remittance of coin or notes by transferring money from the treasury balance to the currency chest at A and transferring the same amount from the currency chest to the treasury balance at B. In this way transfer of funds between places where there are currency chests is effected without the actual remittance of coin or notes; and this is the normal method of putting branches of the Imperial Bank of India, treasuries and sub-treasuries in funds and removing surpluses accumulating thereat to headquarters. The stock of currency notes and coin kept in a currency chest varies according to the needs of the respective districts. Remittances are made periodically from currency chests to Currency Offices and *vice versa* in order to keep the stocks at the necessary figure.”*

60. The policy of the Government has been to reduce the balances at these sub-treasuries to the smallest amount possible. By the provision of currency chests at sub-treasuries, by the extension of power to selected sub-treasury officers to withdraw funds without previous sanction and by encouraging treasury officers generally to reduce their balances by making use of the facilities for remittance provided by these chests, the balances at Government treasuries have been economised to an amazing extent. During the year 1927-28 the average aggregate balance at all the 1,500 treasuries and sub-treasuries was only Rs. 2.30 crores and in only one month during the year was it over Rs. 2½ crores.†

61. The Imperial Bank of India is responsible for the provision of funds at its branches which, as has already been explained, do treasury work on behalf of the Government. The Controller of the Currency keeps in the Government account at the Imperial Bank of India a sum sufficient to enable the bank to meet Government disbursements at all its branches, but the detailed distribution of this sum among the branches is left to the authorities of the Bank. To facilitate remittances to England, the bulk of the balances at the Imperial Bank of India is held at the principal commercial centres from which normally remittance operations are made. Unlike the balances at Government treasuries, the balance at the Imperial Bank of India varies considerably from month to month and also from year to year, for the Imperial Bank balances are utilized not only for ordinary disbursements but also for certain currency operations. For instance, the balance in July 1926 was over Rs. 36 crores, while in March 1928 it was as low as Rs. 6 crores.

* Para. 105, “An Introduction to Indian Government Accounts,” page 53.

† Annual Report of the Controller of Currency, 1927-28.

The average balance in 1926-27 was Rs. 10.99 crores while in 1927-28 it was only Rs. 10.56 crores.*

62. The provision of adequate cash balances in India has so far been dealt with. The provision of funds in London to meet the very large payments which the Secretary of State for India has to make in England is also an important part of the ways and means operations of Government, and the process by which it is made is very closely connected with the currency operations of the Government of India. Until recently the Secretary of State kept himself supplied with funds by the sale of what were commonly known as 'council bills' and by means of telegraphic transfers payable at Calcutta, Madras or Bombay. The annual exports from India being normally in excess of its imports, ordinarily there has usually been a large demand from the public for remittance of funds from England to India. Partly to meet this demand and partly to provide himself with funds to meet the large payments he had to make in England on behalf of the Central and Provincial Governments, the Secretary of State sold these council bills and telegraphic transfers payable in India against funds supplied to him in England. This system, however, has now been discontinued and the requirements of the Secretary of State and the High Commissioner are met by the purchase of sterling by the Government of India in India from banks and firms on an approved list. These banks and firms arrange with their London agents by cable for the payment of the sterling purchased by the Government to the Imperial Bank of India in London for credit to the account of the Secretary of State at the Bank of England. The rupee payments made by the Government are met from their treasury balances with the Imperial Bank of India.

63. The Secretary of State does not make any monthly forecast of his requirements but intimates by cable at irregular intervals the amounts of money that should be remitted. The amounts required are remitted by the Controller of the Currency, provided exchange is not unfavourable and the Government balances in India are adequate. If, however, the rate of exchange is very low, remittances are not infrequently made through the medium of the Paper Currency Reserve. As has been pointed out in an earlier portion of the Memorandum, a portion of the Security Reserve is held in England and if monetary conditions render such a course desirable, these securities are sometimes transferred to the treasury balances of the Secretary of State, a corresponding amount in the shape of notes or coin being transferred to the Currency Reserve in India. For instance, in 1926-27, owing to various reasons, Government were not in a position to remit any large sums of money through the market. Consequently large transfers of sterling securities to the treasury balances of the Secretary of State had to be made. The amounts thus transferred through the Paper Currency Reserve aggregated nearly Rs. 23½ crores between April and December 1926. The amount held in the Paper Currency Reserve in

* Reports of the Controller of Currency, 1926-27 and 1927-28.

the shape of sterling securities in England was Rs. 21 crores in August 1926 while there were no securities at all in the Paper Currency Reserve in England in June 1927. The present figure (15th June 1928) is Rs. $4\frac{1}{4}$ crores.

64. Remittances made to England are, however, not regulated entirely by the requirements of the Secretary of State. When the rate of exchange is very favourable and especially when it tends to reach the upper gold point, large amounts are remitted by the Government irrespective of the demands of the Secretary of State. In fact, the amount of monthly remittances varies considerably with the current rate of exchange. For instance, in 1927-28, the remittances in July and August were a little over one million pounds sterling, while in November, December and January, when the rate of exchange was very favourable, the amounts remitted aggregated £14½ millions.*

65. The Government of India, as the custodian of the balances of the Provincial Governments, provide the funds necessary for payment on behalf of the Provincial Governments both in India and in England. The Provincial Governments make no remittances to England and all payments on their behalf are made by the Secretary of State and the High Commissioner and are adjusted in the final accounts. For the purposes of adjustment, the rate of exchange is generally taken to be the average rate during the month in which the payment was made and not the rate at which the Government of India remitted funds.

66. The Indian financial machinery of administration thus differs in several important respects from the English arrangements. In England all the public balances and accounts are kept at the Bank of England and the machinery of financial administration is consequently highly centralised. All public receipts ultimately reach the Bank of England and all original issues of public money are made from it. The question of 'resource' therefore does not arise and even the problem of ways and means is simplified by being confined to revenue and expenditure proper and by the exclusion of debt and remittance which are separately dealt with.

On the other hand, in India a highly complicated system has become necessary, partly owing to the absence of a central bank and the undeveloped state of private banking and partly owing to the enormous area of the country and its huge population. The machinery that has been evolved is in many respects similar to that of one of the big modern banking organisations of Europe with its numerous branches scattered all over the country and with a highly centralised system of control from the head office. As has been observed, there are over 1,500 treasuries and sub-treasuries at which public receipts and payments occur. Corresponding to the fixed deposits of a bank, there are the Service Funds, the Provident Funds and various other funds on which Government pay interest. Similarly there are the Post Office Savings Bank

* Reports of the Controller of Currency, 1926-27 and 1927-28.

deposits corresponding to the Savings Bank section of a bank. Corresponding to the current deposits, there are the revenues of Provincial Governments and local authorities and the departmental and judicial deposits on which normally no interest is paid. The Central Government also makes use of these deposits not only to finance its own capital programme but also to make advances to the depositors. Like a typical banker it receives deposits at a comparatively low rate of interest and relends the money—in some cases to the depositors themselves—at a higher rate. Just as a big banking organisation aims at reducing the surplus at its branches to a minimum and concentrates its balances at the head office and one or two branches where they can be most profitably utilised, the Central Government in India has also evolved an elaborate machinery by which the balances at the sub-treasuries and treasuries have been reduced to a very low figure. This assumption by the State of the functions of a banker and remitter has immensely complicated the problem of ways and means and the constant adjustment to each other of the fluctuating volumes of incomes and outgoings.

67. The system has on the whole worked efficiently, but it has sometimes been criticised as cumbersome and defective, both from the constitutional as well as the financial point of view. With the criticisms directed against the currency and exchange operations of the Government, this Memorandum is not concerned. So far as the financial relations between the Central and Provincial Governments are concerned, the peculiarities which have evoked criticism are summarised below :—

- (1) In the first place, the apportionment of the cost of administration between the Central Government and the Provincial Governments is not made on any logical basis. The treasuries and sub-treasuries, as has been pointed out already, deal with Central as well as Provincial transactions, but they are under the general administrative control of the Provincial Governments, who bear the entire cost of maintaining them. Actually the Provincial Treasury Officer is under the control of the Controller of the Currency so far as resource arrangements are concerned and under the Accountant General for accounts purposes. Both these are officers of the Central Governments. The Governor General in Council has also the power of issuing 'treasury orders' regulating the procedure to be observed at all the treasuries. The Central Government bears the entire cost of the compilation of accounts and of the arrangements for remittance and resource.
- (2) In the second place, the Central Government, except in certain cases which will be referred to in a subsequent portion of this Memorandum, allows no interest on the balances of the Provincial Governments or on the departmental and judicial balances which are all merged in the general balances

and are utilised not only for financing the capital programme of the Central Government but also for making advances to the Provincial Governments on which, of course, interest is charged. Even as regards certain deposits, such as the Famine Insurance Fund, on which the Central Government allows interest, the rate of interest allowed is normally lower than the rate of interest at which advances are made to the Provincial Loans Fund.

- (3) In the third place, under the present system of accounting no distinction can be made in the initial stages between a payment on account of the Central Government and a payment on account of a Provincial Government. It is only after a considerable lapse of time that the accounts are separated. It is impossible, therefore, at any given time to say whether a province has an overdraft or a surplus in its banking account and it is only after the lapse of months that its exact position at the end of the financial year is ascertained.

68. Certain minor criticisms which need not be mentioned here in detail have also been levelled against the system, and the question has often been discussed during the last eight years whether the present cumbersome system could not be simplified and some of these defects removed by a decentralisation of the financial functions of the Central Government. It is a question for consideration whether decentralisation, if desirable at all, should be on a territorial basis or on a functional basis. If it is held that political considerations should outweigh considerations of a financial character and complete financial as well as administrative autonomy should be conceded to the provinces, decentralisation on a territorial basis would seem to be almost inevitable. It would, however, involve provincial responsibility for accounts, ways and means, remittance operations, provincial loans, etc., and would necessitate the maintenance of trained financial staffs at the headquarters of Provincial Governments. All these services would have to be paid for by the Provincial Governments. The latter method, *i.e.*, de-centralisation on a functional basis, would be more in accordance with the development of non-governmental financial organisations. The tendency in all banking and other financial organisations is towards amalgamation and centralisation of control, which renders possible the employment of highly paid experts and reduces the overhead charges. From the purely financial point of view, it might be argued that a more effective method of simplifying the present system would be by the transfer of certain definite functions to specially constituted bodies such as a central bank, which would deal with currency and remittances and be in charge of all balances or a Board of National Debt Commissioners who would be entrusted with the work of borrowing and investment. It will be observed from a subsequent portion of the Memorandum that the tendency in most modern federations is towards centralisation rather than towards decentralisation.

69. Certain specific problems such as—

- (a) the separation of provincial balances, and
- (b) the separation of accounts from audit, which have arisen during the last eight years, will be dealt with in the succeeding Sections.

F.—SEPARATION OF PROVINCIAL BALANCES.

70. The separation of provincial balances has been urged partly on financial grounds and partly on grounds of a constitutional character. Under the rules in force immediately after the introduction of the reformed constitution, Provincial Governments were not entitled to any interest on their ordinary balances, which included loan funds. The Government of Bombay protested against this system and claimed interest on the temporarily surplus proceeds of the big loan that it had raised for development purposes. After some discussion, it was decided to make a distinction between ordinary balances and surplus loan funds on which the Provincial Governments were actually paying interest, and from June 1921 Provincial Governments were allowed interest on surplus loan funds equivalent to the current yield on treasury bills, provided an under-taking was given that these would not be withdrawn for a certain fixed period. No minimum amount or period was, however, fixed for such deposits.

71. The Provincial Governments were not entirely satisfied with this arrangement and claimed that the Central Government should in fairness pay interest on the whole of their balances and pressed for complete liberty to the provinces as regards the disposal of their surplus moneys whether by investment in securities of the Government of India or by deposits in approved banks. In answer to this it was pointed out that such a course was neither practicable nor constitutionally desirable. It was also urged that since the Central Government did resource and currency work for Provincial Governments, they were entitled to the free use of provincial balances. These services, however, have been rendered impartially to all provinces irrespective of the magnitude of their balances, and an obvious criticism of the arrangements in force was that they benefited Governments which had small balances or none at the expense of those which had large balances. After some discussion the principle was definitely recognised that a Provincial Government should in certain circumstances be allowed interest on its balances and the Devolution Rules were amended by the addition of the following sub-rule to rule 22 :—

“ The Governor-General in Council may also pay to a local Government interest on its surplus balances on such conditions as he may, with the approval of the Secretary of State, prescribe.”

72. There were, however, two practical difficulties in the way of the adoption of this principle.

(1) The first was to determine exactly the circumstances that would justify the payment of interest. To overcome this, the following arrangements have been made :—

- (a) No interest is allowed on deposits unless the amount deposited is not less than Rs. 25 lakhs and the period of deposit is not less than 6 months at a time. In the case of Assam, however, owing to special circumstances, the minimum has been fixed at Rs. 10 lakhs.
- (b) Interest is allowed at one per cent. less than the rate charged by the Government of India on advances to the Provincial Loans Fund during the period on deposits which are initially declared for 12 months and over and at two per cent. less for shorter periods.
- (c) No interest is paid if the balance of a province after taking the fixed deposit into account is overdrawn for more than one-third of the period of the deposit. Withdrawals within the period are treated as temporary advances bearing interest.

(2) The second difficulty arose from the fact that under the system of accounting it is not easy to ascertain precisely the balance at the credit or debit of a Provincial Government on any given date. A scheme, however, was worked out by the Auditor General to overcome this difficulty. It is described in Article 298A of the Account Code.

73. From the constitutional point of view, it has been urged that the separation of provincial balances from those of the Central Government is an essential preliminary to an appreciable advance towards provincial autonomy. In fact, it is stated that, until a Government has its own separate balances, it cannot adequately realise the importance of financial considerations. The following advantages are claimed by advocates of this measure :—

- (1) It would enable the Provincial Governments to know precisely whether they have an overdraft or a surplus in their banking accounts.
- (2) With the separation of Banking accounts, the Provincial Governments and their Finance Departments would for the first time be brought up against ways and means questions. They would then have to consider such matters as attempting to spread their expenditure over the year in such a way as to coincide with the periods when their revenue comes in. They would have to arrange for financing slack seasons of the year when expenditure exceeds revenue, by obtaining accommodation from their bankers for the purpose. They would have to study the problems connected with the lending out temporarily of surpluses due either to such exceptional receipts as the issue of loans or to temporary periods

of revenue exceeding expenditure. The separation would also compel the Provincial Governments and their legislatures, who at present are sheltered from the complexity of ways and means questions, to realise a fuller financial responsibility. In short, it is claimed that the separation is essential in order to educate the Provincial Governments in matters of high finance.

74. The theoretical and practical objections that might be urged to the proposal are summarised below :—

- (1) In the first place, the provincialisation of accounts, (audit remaining a central subject), which is an essential preliminary to the introduction of the scheme, will involve heavy additional expenditure. It has been estimated that the extra cost will be at least Rs. 2 lakhs per annum for each province.
- (2) In the second place, if provincial balances were separated, the ways and means programme, which is single at present, would have to be divided into ten portions, nine on behalf of the Provinces and the tenth on behalf of the Central Government. The combined balances after the separation of the banking accounts would almost certainly exceed the single balance now regarded by the Government of India as the necessary minimum. There would be ten margins to meet, as the case may be, instead of one as at present, and the Imperial Bank of India, with whom all Government monies would presumably be kept under the new scheme, would be the gainer.
- (3) In the third place, the difficulty of ascertaining the precise balances of the Provincial Governments and the Central Government on any particular date arises from circumstances connected with the accounting system and will not be entirely solved, though it may be simplified to some extent, by the separation of the banking accounts.
- (4) In the fourth place, some of the advantages claimed for the separation are of a fictitious nature. The provincial balances after the separation would presumably be kept with the Imperial Bank of India, which has branches all over India, and in actual operation the system would merely substitute the control of the Imperial Bank of India for the control by the Central Government. Centralisation would continue, but the amount saved by the present arrangements would be transferred to a private bank instead of being credited to the Central Government and set off against the cost of services which are rendered to the Provincial Governments and which would otherwise be charged for. To meet temporary deficits the Provincial Governments would be compelled to take advances from the bank or issue treasury

bills. They would also have to make their own arrangements for remittances abroad through the bank. Even if it were admitted that, under the present system, the Central Government makes considerable profits, it might be argued that a more appropriate solution would be an apportionment of the cost on more rational lines among the various Governments rather than the adoption of a system that would result in the transfer of the profits to a private bank. It is also doubtful whether Imperial Bank would give more favourable terms as regards interest on deposits than those offered by the Central Government at present.

- (5) In the fifth place, it is debatable whether the system would lead to a higher sense of financial responsibility in Provincial Governments and Legislatures. Members of the Legislature even in the advanced countries of Europe ordinarily take no interest in the intricate financial operations that are necessary for the carrying on the ordinary day-to-day administration. The problems of ways and means, resource and remittances are dealt with by specially trained officers. The separation in India would probably involve the initiation of a few provincial officers into the mysteries of higher finance, but it is doubtful whether anything more would be achieved.

75. The question of the separation of banking accounts was discussed at the annual Conferences of Financial Representatives held in 1922, 1923 and 1924. The general view of the representatives in 1924 was that the necessity for an immediate change had not been proved. It was recognised generally that the separation of banking accounts was not a matter in which it was essential to move quickly and that it was not necessary to introduce the change simultaneously in all provinces. The Reforms Enquiry Committee, which examined the working of the constitution in 1924, recommended the separation of Central from Provincial balances as an essential preliminary to an appreciable advance towards provincial autonomy. The Government of India accepted this recommendation, but were of opinion that the change could not be introduced at a moment's notice and that the new system must be slowly evolved with all possible caution. They considered that the immediate action to be taken on the recommendations of the Reforms Enquiry Committee should be limited to an extension of the experiment already undertaken with a view to the separation of provincial accounts from audit, which was regarded as essential before the balances could be separated.

G.—SEPARATION OF AUDIT FROM ACCOUNTS.

76. It will be observed from the description of the financial machinery given in Section E that under the present constitution the Auditor

General is not only responsible for the audit of Government transactions but is also entrusted with the compilation of the Finance and Revenue Accounts of India which are annually presented to Parliament. In order to enable him adequately to discharge this function, he has been invested by statutory rules with the power of prescribing the forms in which accounts should be kept by the combined audit and accounts staff under him. The actual work of compilation and consolidation is, it has been noticed, done in almost all the provinces by a Central staff under the Accountant-General except in the case of certain Departments. The Auditor General is also required by statutory rules to make arrangements for the supply of any information derivable from the accounts that may be required by Provincial Governments and to render them such assistance as may be necessary in the preparation of the annual budget estimates. In practice, the Accountant General advises the Provincial Government unofficially on questions of leave, allowances, pay, etc., and also criticises departmental estimates in the light of past actuals.

77. The system is thus in important respects different from that in force in England where the Comptroller and Auditor General is responsible only for audit. Moreover, in England, to each of the great Departments which has financial functions to perform there is attached a financial staff and an accounting Department, the head of the Department, who is the Chief Accounting Officer, being held responsible for the maintenance of accounts, including an internal check of transactions. The system generally followed in India has in practice resulted in considerable inconvenience, and its defects have been pointed out in the Memorandum submitted to the Statutory Commission by the Government of the United Provinces. The more important of these are briefly summarised below :—

- (1) In the first place, the system of sending bills in batches from the treasuries to a head office for classification, check and audit before they are passed into the accounts has caused great delay in the preparation of the accounts, which are seldom ready for several weeks after the close of the monthly transactions. This has made it exceedingly difficult for the heads of Departments to control their expenditure, since they are not in a position to find out what their expenditure was on a particular date until about two months later. The system, moreover, discourages expenditure of money towards the end of the year and consequently unnecessarily large sums have lapsed every year.
- (2) In the second place, since the auditor himself compiles the accounts, the audit of accounts has been of a perfunctory character.
- (3) In the third place, since the Accountant General has no knowledge of the working of the Departments whose estimates he criticises, his scrutiny is merely mechanical and based

on past actuals. In the absence of any close control of expenditure the system encourages overbudgetting on the part of Departments.

78. To remove these defects, the separation of accounts from audit was suggested in 1923. The question was first raised by the Indian Retrenchment Committee, who considered it purely from the point of view of Central expenditure. They pointed out that under the present rules the Provincial Governments could demand from the Auditor General any information derivable from accounts without paying for it. They considered that the separation of accounts from audit would enable the Central Government to relieve itself of a portion of the expenditure which it now incurs in connection with the maintenance of accounts or, at any rate, it would prevent Provincial Governments from demanding information relating to accounts that would involve unduly large expenditure from Central revenues. A scheme for the provincialisation of accounts was worked out in 1923 and put into practice in the United Provinces as an experimental measure. After a period of trial in two Departments, it was brought into force in all the Departments in these Provinces with effect from the 1st April 1926. The principal features of the new system are described in paragraph 99 of the Memorandum submitted by the Government of the United Provinces, which is quoted below for facility of reference :—

- “(1) To each department is attached a pay and accounts office, the head of which is known as pay and accounts officer. He is a gazetted Government servant of the status of an assistant accounts officer in the Indian Audit and Accounts department. The larger departments (Public Works department, Land Revenue, General Administration, Administration of Justice, Education and Police) have each an accounts office and officer of its own; the smaller departments, arranged in convenient groups, share such an office and officer.
- (2) These offices are located where possible in the office of the head of the department, or at all events in the same place and in convenient proximity to him.
- (3) Bills against the various departments are no longer presented at the treasury but sent to the pay and accounts officer concerned. He preaudits the bill and then pays it by cheque, subsequently passing the charge into the departmental accounts which he compiles.
- (4) Provincial accounts are maintained in a central accounts office which is under the immediate charge of a deputy chief accounting officer of the status of a first class officer of the Indian Audit and Accounts department, and in superior charge of the chief accounting officer, who is the finance secretary. This officer also deals with various accounts that cannot be easily departmentalised: for instance, loans

and advances, exchange accounts, etc. The deputy chief accounting officer further acts as pay and accounts officer for the forest department.

- (5) The pay and accounts officers prepare the revised and budget estimates in the same way and on much the same lines as the former accountant general. They subsequently send them to the finance department, which examines and passes them and subsequently prints the detailed estimates.
- (6) To each accounts office is attached an audit section, the duty of which is to examine its accounts. These audit sections are under a central officer, namely the director of audit. He also has staff sufficient to send out into the districts to inspect accounts there. Bills are no longer examined at the treasuries, which have become merely counters where moneys are actually paid or received."

79. The advantages claimed for the system, which are also described in the Memorandum submitted by the United Provinces Government, are as follows :—

- (1) It is stated that, under the new system, departmental accounts instead of being two months late are now ready within a fortnight of the end of the month to which they refer, and consequently heads of departments do not experience any difficulty in ascertaining the progress of their expenditure and in controlling it.
- (2) Audit under the new system is entirely independent of accounts and inasmuch as the accounting staff is an expert staff the amount of routine work that devolves on audit is greatly diminished. It is argued that the audit staff under the new system ought to be able to devote itself to more important enquiries and investigations.
- (3) The Pay and Accounts Officer, being attached to a single Department, is conversant with its needs and difficulties and prepares its budget and revised estimates accordingly.
- (4) Controlling officers are no longer tempted to leave margins and this renders more accurate budgetting possible.
- (5) Finally, the Provincial Government having to maintain its own accounts is made to entertain a greater sense of responsibility and has an ampler scope in directing its administration.

80. The system has been worked with great enthusiasm by the Government of the United Provinces with the assistance of a specially selected staff, and it is stated that the experiment has on the whole proved a success. It is, however, a question for consideration whether the advantages claimed for the system could not be obtained without a complete provincialisation of accounts. The following points might

be noted in considering the question whether the system should be adopted universally in India :—

- (1) In the first place, the advantages of a pre-audit, so far as the Provincial Departments are concerned, may be overrated. It is stated that it functions best where there is least possibility of leakage under the old system. It is debatable whether it is very effective in the case of contingent expenditure and whether it can be universally applied to works expenditure where leakages most frequently occur. It has not been found practicable to introduce it in the Public Works Department of the United Provinces, though it is understood that the system of pre-audit has been applied to big public works in a restricted area (*e.g.*, the Lloyd Barrage Scheme of Bombay).
- (2) In the second place, as regards the speedy compilation of accounts for the use of heads of departments and the avoidance of excesses or savings in budget allotments, it might be pointed out that the head of the department has relatively little interest in the progress of expenditure during the first six months of the financial year. He is vitally concerned in expenditure between October and February. In October he has to forecast his supplementary requirements for the current year and frame his budget for the next year. The old type of Accountant General's office has generally been re-organised on a departmental basis and there is nothing to prevent a weekly compilation of accounts provided the local Government pays for special staff for the purpose. The cost of such staff would be only a fraction of the total extra expenditure which universal separation would entail.
- (3) In the third place, separation would indubitably be expensive. The accounts officer requires as many men as the older Accountant General's office contained and the specialised audit staff is approximately one-third of the accounts office. It is estimated that the system will involve an additional expenditure of at least Rs. 3 lakhs per annum in the major provinces. It is argued that separation of balances might make good this extra cost to Provincial Governments, but it seems clear that so far as the Central Government and the Provincial Governments taken as a whole are concerned, there must be extra expenditure; nor is the separation of balances essential for the separation of accounting from audit.
- (4) In the fourth place, under the new system there is a certain amount of duplication of audit proper. The account offices exercise an internal check which is as extensive as under the former system, but owing to the necessity for quick

payments, have to concentrate only on essentials. The super-imposed audit staff does an intensified check of the audit done in the accounts offices. It is claimed that the new system gives more time to the audit staff for what has been described as "higher" audit, i.e., enquiries and investigations into the system of expenditure with reference to broad principles such as those indicated in the canons of financial propriety. It might be argued, however, that for the efficient conduct of higher audit the staff is more disadvantageously placed than before. The audit staff proper is debarred from daily touch through correspondence with executive officers and cannot readily appreciate the complexities of practical problems and if, as has been suggested, local inspections were also entrusted to accounting offices, audit's contact with the realities of administration would be gone. It might also be argued that the men best fitted to make enquiries into the system of expenditure are executive officers independent of the Provincial Government and experienced in the practical work of the Departments and not officers of the Audit Department who cannot claim a living knowledge of administrative affairs.

- (5) Another danger is the possibility of the executive bringing undue influence to bear on the accounts officers, who under the new system will be entirely provincial officers directly under the control of the Provincial Government. The number of departments to which it would be necessary to attach these accounts officers is so large that normally these officers would be of a status lower than that of the All-India Services or even that of the Indian Audit and Accounts Service. It is doubtful whether these subordinate officers would be in a position to check extravagance and to criticise the executive on whom their promotion depends. There is also the possibility that in certain circumstances these officers under pressure from the executive might be tempted to conceal facts from the audit officers.

H.—CO-ORDINATION.

81. Co-ordination of provincial activities is primarily an administrative problem and the justification for mentioning it here lies partly in the fact that such co-ordination may be more necessary in the region of finance than in other spheres of administration and partly in the fact that in most other countries the control necessary for the purpose of ensuring co-ordination is exercised through the medium of the grant-in-aid. The necessity for co-ordination in financial matters arises from the fact that monetary operations are in most countries concentrated

in one or more large industrial or commercial centres. The question of co-ordination in respect of provincial borrowing, ways and means operations, resource arrangements, remittance arrangements, etc., has been dealt with in the preceding section and a brief reference may now be made to the problems that have arisen in the administration of other services.

82. The history of the administration of many of the more advanced countries of the world, particularly those constituted on a federal basis, reveals a distinct tendency towards a co-ordination of the activities of the constituent provinces or states, especially in matters which are of more than provincial importance. A few instances relating to Canada and Australia are given below by way of illustration :—

- (1) *Canada*.—Although roads are essentially a State matter under the Canadian constitution, the Dominion Parliament, in the interests of the country as a whole, found it necessary to pass the Canadian Highways Act in 1919, which authorised the expenditure of \$20 millions during the following five years for the purpose of constructing and improving the highways of Canada. A grant of \$80,000 was made to every Province during each of the five years, the remainder being allotted in proportion to their respective populations. The co-operation and encouragement of the Dominion Government has done much to raise the standard of road maintenance throughout the country.
- (2) Educational administration is entirely a Provincial matter under the constitution, but the Dominion Government, realising the national importance of vocational education, has found it necessary to supplement the Provincial funds available for these purposes. In 1913 the Agricultural Instruction Act was passed distributing \$10 millions in ten years among the Provinces for the advancement of agricultural education. In 1919 a similar sum was voted for technical education, which was distributed among the Provinces approximately on a population basis subject to the condition that the Provinces spent at least as much on technical education out of their own revenues. This has given a great impetus to the development of vocational education particularly, it is stated, in the eastern manufacturing Provinces.
- (3) Public health administration is also in the hands of the Provincial Governments in Canada, but the Dominion Parliament has, by an Act passed in 1919, created a Dominion Council of Health which co-ordinates the activities of the Provincial administrations. It meets twice a year to discuss health problems which are of interest to all the Provinces and, as a result of its efforts, there is now greater uniformity in the standards of public health administration.

83. Even in Australia, where the States have always been jealous of any interference in administrative matters by the Commonwealth Government, there is a distinct tendency towards centralisation and co-ordination of State activities :—

- (1) Inter-State conferences in matters of education are held frequently.
- (2) The Commonwealth Government has undertaken the supervision of the treatment for venereal diseases and grants a subsidy of £15,000 per annum to the various States for the provision of hospital treatment for persons suffering from these diseases.
- (3) Under the Institute of Science and Industry Act of 1920, the Commonwealth Government is required to establish—
 - (a) a bureau of agriculture,
 - (b) a bureau of industries, and
 - (c) such other bureaux as the Governor General determines.

Power is also given for the establishment of a general advisory council and advisory boards in each State to advise the Director in regard to the general business of the Institute and any particular matter of investigation or research. Under the Act, the Director is required to co-operate, so far as is possible, with existing State organisations in the co-ordination of scientific investigation.

84. So far as India is concerned, the problem of co-ordination in matters of public health, communications, etc., has already arisen. It is the subject of a separate Memorandum submitted to the Statutory Commission and it is therefore not proposed to discuss it here in detail. The question of subsidies or contributions to Provincial Governments for purposes of co-ordination is dealt with in the next section of this Memorandum.

I.—CONTRIBUTIONS TOWARDS THE ADMINISTRATION OF INDIVIDUAL SUBJECTS.

85. The constitutional and legal propriety of contributions from the Central revenues in aid of Provincial subjects and from Provincial revenues in aid of Central subjects has been questioned on more than one occasion since the introduction of the reformed constitution. The Committee on the Division of Functions recognized the difficulties involved in working out a complete scheme of classification of Central and Provincial subjects and in paragraph 14(4) of their report they remarked as follows with reference to the scheme recommended by them :—

“ It must, however, be remembered that in this case we are not attempting a division of powers which will be subject to test

in the courts, and we can therefore with greater confidence leave the effect of the division proposed to be worked out in the course of legislative and administrative practice in the light of accepted general principles. Our scheme has been devised on such a basis as to leave the way open for this process of development."

The Joint Select Committee accepted with certain alterations the classification suggested by the Functions Committee subject to the following general observations :—

"It must not, however, be concluded that these partitions of the functions of Government are absolutely clear-cut and mutually exclusive. They must in all cases be read with the reservations in the text of the Functions Committee's report and with due regard to the necessity for special procedure in cases where their orbits overlap."

In cases in which the Central Government employs the agency of the Provincial Government for the administration of a Central subject, the cost of the establishment is divided in the manner indicated in Devolution Rules 47 and 48. There are, however, no statutory rules regarding the apportionment of expenditure in cases in which the functions of the Central Government and Provincial Governments overlap, although such overlapping was recognised to be inevitable under the reformed constitution.

86. In section 20(1) of the Government of India Act it is provided that the revenues of India shall, subject to the provisions of the Act, be applied to the purposes of the Government of India alone. The Devolution Rules made under section 45 A. of the Act effect a separation of the respective functions of the Central and Provincial Governments and a division between the Central and Provincial Governments of the revenues of India. The only rule which refers to contributions from the Central Government towards the administration of Provincial subjects is Devolution Rule 14 (1)(e) under which payments made to a local Government by the Governor-General in Council or by other local Governments *either for services rendered or otherwise* are classified as a source of provincial revenue. It has, however, been held that the words "or otherwise" in this rule cannot justify Central contributions towards the administration of Provincial subjects unless they are definitely in the nature of payments for services rendered. Indeed, from the constitutional point of view, the continuance of such contributions has been viewed as subversive of the whole structure of the division of revenues between the Government of India and the Provinces affected by the Act. This explains the foot-note to the Central Audit Resolution issued by the Secretary of State in Council regarding the financial powers of the Governor General in Council. It runs as follows :—

"Since the enactment of the Government of India Act, 1919, and of the Devolution Rules, it is not permissible to incur expenditure from Central revenues on Provincial subjects or to make

assignments from Central to Provincial revenues for expenditure on a Provincial subject."

87. A different view, however, has been held as regards the propriety of Provincial contributions towards the administration of individual Central subjects. It was considered that Central expenditure on Provincial subjects was objectionable, because under such a practice there was a danger of the revival of the old system of doles and the control associated with it. This consideration did not apply to Provincial assistance to Central subjects and it was contended that if a local Government believed and could induce its legislature to agree that Provincial outlay upon a Central subject was in the Provincial interest, there was nothing in the spirit of the Act which rendered such expenditure improper. In the absence of specific legal prohibition, a large number of such contributions has been permitted during the last eight years. Instances of these are :—

Bengal—

- (i) Payment of an annual grant of Rs. 25,000 towards the cost of maintaining the Victoria Memorial Hall.
- (ii) Payment of the actual cost of establishment employed in the Art Section of the Indian Museum.

Assam—

Contribution for expenditure on establishment employed on Internal Emigration work.

Madras—

- (i) Contribution of Rs. 8,000 for the investigation of Kala Azar.
- (ii) Contribution of Rs. 10,000 to the Andamans Administration for the construction of a mosque.
- (iii) Contribution of Rs. 2,000 to the Military Department in connection with demonstration march.

Bihar and Orissa—

- (i) Contribution of Rs. 6,820 towards the cost of construction of the outpatient block of the hospital attached to the Pusa Agricultural Institute.
- (ii) Annual contribution of Rs. 42,000 to the East Indian Railway Technical Institute at Jamalpur.

Bombay—

Proposed contribution of Rs. 5,000 towards expenditure on the erection of a Chatri over Shri Shivaji Samadhi at Raigarh.

Punjab—

Contribution from Provincial revenues for expenditure on the Aitcheson College, Lahore.

United Provinces—

- (i) Contribution of Rs. 10,000 to Aligarh University.
- (ii) Contribution to the Army Remount Department towards construction of a Stallion Depot at Meerut.

Central Provinces—

Contribution to the Chiefs' College, Raipur, paid during 1921-22 to 1923-24 but since discontinued.

Burma—

Contributions payable by the Burma Government for the conduct of survey operations in that province.

88. Doubts, however, have recently been expressed as to the legality of these contributions. It has been pointed out that there is no express provision either in the Government of India Act or in the Devolution Rules authorising such expenditure. Since both the Central and Provincial Governments can possess only such powers in this respect as are conferred on them by the statute creating them or the rules made thereunder, it might be argued that neither Government is entitled to incur such expenditure.

89. From the administrative point of view, the prohibition of Central contributions towards Provincial subjects has also been found to be inconvenient. For instance, in 1925, when the question of financial assistance from Central revenues to the London School of Hygiene and Tropical Medicine, which affords facilities for the instruction of Indian students and officers of the Indian services, was under consideration, it was contended that the Government of India could not legitimately expend Central revenues in contributing to the School and that if a contribution on behalf of British India as a whole was to be made, the charge should be distributed between Central revenues and the revenues of each Governor's province in the proportion of the share of the benefit which was calculated to accrue to the provinces. The question of Central grants for provincial purposes has been dealt with elsewhere. It is a point for consideration whether, in certain cases such as those indicated below, Central contributions towards provincial expenditure and Provincial contributions towards Central subjects should not be permitted :—

- (1) A provincial Government might be permitted to incur from Provincial revenues expenditure on a Central subject or might make payments from Provincial revenues to another Province if by incurring that expenditure or by making such payments it confers a benefit on its own Province.
- (2) One Government might be permitted to pay another for services rendered or goods supplied. Expenditure incurred by one Government for the requirements and at the request of another, when such expenditure would not ordinarily have been incurred for its own requirements or in the discharge of its own responsibility, might be re-imbursed by the latter.

- (3) The Government of India might be permitted to incur expenditure for the purposes of co-ordinating the activities of Provincial Governments in cases in which such co-ordination is essential in the interests of India as a whole.
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J.—FAMINE INSURANCE.

90. Famine expenditure was recognised as an Imperial charge until the year 1875 when the doctrine was first enunciated that though it was the duty of the State to preserve the lives of the people, the primary responsibility for providing for their own support ought to rest upon the people themselves. The theory of the division of responsibility for this class of expenditure was laid down in the following terms in 1877 :—

“ Distress should be met from local resources so far as is possible ; district resources should only be responsible when local resources fail ; provincial resources when district resources fail ; and Imperial resources last of all.”

Partly owing to its lack of definition and partly owing to the limited nature of local and district resources, this principle was not applied in practice to any appreciable extent, though famine expenditure was formally provincialised in the settlement of that year. For nearly 30 years the cost of famine relief was actually met from provincial revenues so long as they were able to bear the burden and thereafter it was accepted as a charge upon Imperial revenues.

91. In 1878-79, what is commonly known as the Famine Insurance Fund was established by the Government of Lord Lytton. The great famines which had ravaged India between 1874 and 1878 had involved an expenditure of over Rs. 14 crores and a review of the effect of this heavy expenditure had revealed the fact that it had in reality been defrayed from loan funds, the ordinary revenue of the country just sufficing to meet the normal expenditure of the Government. Since famine was at that time an ordinary incident of the Indian administration (there were about two famines in every ten years), the Government of India came to the conclusion that it was financially unsound to depend on loans for meeting such charges. They accordingly decided to strengthen their financial resources by one million sterling recurring revenue per annum, which was estimated to be the average amount which the Central revenues might be called upon to provide against the cost of periodical famine in supplement of the expenditure on famine relief incurred from provincial funds. The required amount was raised by means of a famine cess levied upon land and a license tax imposed upon persons following particular trades. The object of the Fund was “ by increasing the revenue to avoid constant additions to the debt of India which the prevention of periodical famine would entail either by applying that increase of income to works likely to avert famine and thus obviate famine expenditure or by reducing annually the debt contracted for

famine, so that if the famine expenditure should again become inevitable, the reduction of debt made in years of prosperity would compensate for the liabilities incurred during a scarcity.”* The Fund, however, did not escape, during periods of financial stringency, the fate of other similarly situated funds. Almost immediately after it was instituted it was raided to meet the expenditure arising out of the Afghan War. It was again applied to other purposes during Lord Dufferin’s administration and the annual contribution was reduced to Rs. one crore by Sir James Westland, who justified the reduction on the ground that there was an improvement in the economic condition of the country and in the capacity of the people to resist famine. It was restored to the original figure by Lord Curzon.

92. For several years after the establishment of the fund, the surplus funds which remained after actual expenditure on famine relief during the previous year had been met were applied to the reduction of old debt. The Government of India, however, were at that time borrowing largely for productive purposes and they soon recognized that there was nothing to be gained by paying off old loans and incurring new debts simultaneously. It was therefore decided that, so long as borrowing continued, the surplus in the Famine Insurance Fund should be appropriated to the avoidance of new rather than to the liquidation of old loans. The administration of the Fund was briefly on the following lines :—

- (a) Out of the annual provision of Rs. 150 lakhs, the actual expenditure during the year on famine relief was first met.
- (b) The surplus was partly utilised for the construction of protective irrigation works and railways, and
- (c) the balance was applied to the avoidance of new debt or the reduction of old debt.

93. It will thus be seen that although in theory famine expenditure was Provincial, in practice large sums were contributed by the Central Government out of the so-called Famine Insurance Fund described above. The stage, however, at which the burden shifted from the Provincial to the Imperial account was wholly indefinite and no provision was made for the cost of famine relief in fixing the standards of expenditure in Provincial settlements. In view of the many serious objections urged to the system, a new famine scheme was devised in 1906, by which the Government of India placed to the credit of each Province exposed to famine out of the Famine Insurance Fund a fixed annual amount which could be utilized in case of famine without drawing on its normal resources. A maximum of these annual credits was also fixed for each Province with reference to its liability to famine, the maximum expenditure which it incurred during a year on famine and the conditions as regards railway communications and irrigation facilities under which its famine administration would be conducted in the future. When the

* Report of the Parliamentary Committee appointed in 1870 presided over by Lord George Hamilton.

amount accumulated by this process was exhausted, further expenditure was shared equally by the Central and Provincial Governments and in the last resort the Central Government gave the Province further assistance from their own revenues.

94. In 1917 the arrangement described above was modified and famine relief became a divided head, the expenditure being apportioned between the Central and Provincial Governments in the proportion of 3 : 1, which coincided approximately with the actual incidence under the system introduced in 1906. The Famine Insurance Funds, however, continued to exist and an annual provision of Rs. 1½ crores was made in the budget up to the introduction of the Reforms.

95. Such was the position when the question of provincial settlements was examined by the Meston Committee. Under the new distribution of the sources of revenue suggested by this Committee, a net increase was expected in the spending power of the provinces aggregating Rs. 18,50 lakhs, on which, as has been described elsewhere, the Committee assessed the initial contributions to be paid by the Provincial Governments to the Central Government to meet the deficit in the Central Account resulting from the introduction of the new system. In determining the increase of spending power, the expenditure relating to famine relief and the construction of protective irrigation works, which had been made Provincial under the Reforms Scheme, was deducted from the normal revenue of each Province. In the case of expenditure on famine relief, an average was taken of the expenditure in each province for a period of 20 years (1896-1916), while as regards protective irrigation works similar averages were taken for a period of ten years (1907-17). The reason for the adoption of a different period in the latter case was that it was thought that in the case of famine relief expenditure it was proper to take figures over a period representing an average cycle of varying seasons, whereas in the case of protective irrigation works it was more suitable to have a shorter period representing expenditure under more recent conditions. According to this calculation the average expenditure on famine relief and protective irrigation works amounted to :—

	(In thousands of rupees.)
Madras	6,61
Bombay	63,60
Bengal	2,00
United Provinces	39,60
Punjab	3,81
Burma	67
Bihar and Orissa	11,62
Central Provinces	47,26
Assam	10

On the above basis a new system of provision for famine expenditure was evolved as follows. Every Provincial Government was required by Devolution Rule 29 to establish and maintain out of provincial revenues a Famine Insurance Fund in accordance with the principles laid

down in Schedule IV to the Devolution Rules. Each Provincial Government was required to contribute to its own fund for famine insurance, an annual contribution on the scale indicated in the statement above. This annual contribution was to be devoted in the first instance to the construction of protective works and if necessary to relief measures, the sum not required for these purposes being utilised in building up a balance in the Famine Insurance Fund. The balance at the credit of the Fund was regarded as invested with the Central Government which pays interest on it at a rate one per cent. less than the rate charged for advances made by the Central Government to the Provincial Loans Fund. The Fund, *i.e.*, both the annual contributions and the accumulated credits were available for application whenever necessary either for actual famine relief or for construction of protective works or for the grant of advances to cultivators.

96. It may be observed that the surplus credits in the Central Famine Insurance Fund that remained after meeting the annual expenditure on famine relief was up to 1921 utilised by the Government of India for the reduction of their ordinary debt, only a very small fraction, if any, of which was incurred for purposes of famine relief. There was in reality no separate fund in existence. Even after the introduction of the Reforms, no separate Fund has been created, the annual assignments of the Provinces being merged in the general balances of the Government of India. Since these balances are largely utilised for financing the capital programme of the Government of India and for advances to the Provincial Loans Fund, one result of the present system is, as has been pointed out in the section of the Memorandum relating to Provincial Balances, that the amounts which are contributed by the provinces to the Famine Insurance Fund are in practice re-lent to them at a rate of interest which is one per cent. higher than the rate at which interest is allowed on the balances in the Fund.

97. The principal criticism directed against the new arrangements introduced under the Reforms was that in the case of certain provinces (Bombay, the United Provinces and the Central Provinces), the assignments had been pitched too high. In 1926, therefore, the Government of India examined the question of revising the constitution of the Famine Insurance Fund and the regulations governing it. A review of the famine expenditure in the 20 years 1905-1925 showed that under greatly improved conditions due to the development of irrigation and communications and increased prosperity in the general community a considerable reduction could be effected in the contributions required to be made to the Fund without endangering the objects for which it was created. The figures also revealed that in another direction the system required revision. The rules then in force did not compel any province to maintain a minimum balance for meeting expenditure on famine relief proper; and from this cause in certain cases the annual contribution had been heavily drawn upon for irrigation works, the strictly protective character of which was open to some doubt and little had been accumulated to meet the direct demands of a really bad season or series of seasons. The

Government of India, therefore, in consultation with the Provincial Governments formulated certain proposals for the re-constitution of the Fund on a different basis, the principal features of which are as follows :—

- (1) The famine fund should provide solely for expenditure on famine relief proper and the financing of protective irrigation works should be undertaken by the Province as part of the ordinary administration.
- (2) The annual contribution was recalculated with reference to the average amounts spent annually on famine relief proper during the period 1905 to 1925.
- (3) The financing of loans to cultivators should hereafter be carried out by means of advances from the Provincial Loans Fund.

98. One effect of these proposals, which have been approved by the Secretary of State in 1928 as a tentative measure, has been a substantial reduction in the Provincial contributions to the Famine Insurance Fund and consequently in the maxima amounts required to be accumulated. The assignment of Bombay has been reduced from Rs. 64 lakhs to Rs. 12 lakhs, of the United Provinces from Rs. 40 lakhs to Rs. 16 lakhs, of the Central Provinces from Rs. 47 lakhs to Rs. 4 lakhs and of Bihar and Orissa from Rs. 12 to Rs. 3 lakhs.

APPENDIX I TO SECTION D.

SUGGESTED SCHEME FOR THE CONSTITUTION OF A BODY OF NATIONAL DEBT COMMISSIONERS IN INDIA.

1. The principal funds deposited with the Government of India on which interest is paid are as follows :—

	Balance on 31-3-26. (In crores of Rs.)
(1) Special loans and treasury notes— These are various old endowments on which the Government have guaranteed payment of interest rates varying from 3½ to 8 per cent.	1.69
(2) Service Funds— These are not under the control of Government, but they have been deposited with them at favourable rates of interest varying from 5½ to 6 per cent.	1.55
(3) Provident Funds— of which the principal are— (a) The State Railways Provident Fund, (b) Company Railways Provident Fund, (c) General Provident Fund and the	

Balance
on
31-3-26.
(In crores
of Rs.)

(d) I. C. S. Provident Fund—

Contributions to these are compulsory for certain classes of Government servants and optional for others. In the case of Railways, the contributions of employees are supplemented from Railways funds. The rate of interest is fixed periodically, and the accumulated deposits with interest are paid to the employees on the termination of their service 40.42

(4) Postal Insurance and Life Annuity Fund—

Interest is allowed at the rate of $3\frac{1}{2}$ per cent. on the balance in the Fund 2.65

(5) Post Office Cash Certificates—

Interest is paid in the shape of a bonus which works out on an average to about 5 to 6 per cent. per annum compound interest 20.06

(6) Post Office Savings Bank Balances—

Interest is allowed at 3 per cent. 27.23

(7) Railway Depreciation Fund—

Interest is allowed at $3\frac{1}{2}$ per cent. 5.74

(8) Railway Reserve Fund—

Interest is allowed at $3\frac{1}{2}$ per cent. 9.32

(9) Posts and Telegraphs Depreciation Fund—

Interest is allowed at $3\frac{1}{2}$ per cent.33

(10) Famine Insurance Fund—

which consists of Provincial contributions made under statutory rules—

Interest is allowed at $3\frac{1}{2}$ per cent. 4.82

(11) Depreciation Fund of commercial Departments under the Government of India—

Except in the case of the Northern India Salt Revenue Department, no interest is paid on these deposits 13

114.84

The departmental and judicial deposits of the Central and Provincial Governments have been excluded, partly because no interest is paid on them and partly because it would be extremely difficult to hand over these deposits to a body such as the National Debt Commissioners for investment.

2. Practically the whole of this amount (Rs. 114.84 crores) is now included in the Government of India's balances and interest is credited on these deposits at a rate which is either fixed in advance or which varies from time to time with the variations in the rate at which Government can borrow in the open market. The greater portion of the amount, if not the whole, is normally utilised for financing the large capital programmes of the Central Government and the Provincial Governments.

The system is open to serious objections which are briefly indicated below—

- (a) Under this system money has to be borrowed whether it is wanted or not. From the practical point of view, however, this objection is not serious so long as the Government has a large capital programme in hand.
- (b) As worked at present, Government pays on money lent to it at a time when interest rates are low, not the low rate of interest that it would pay for a long term loan issued in the market at such a period but a short term rate varying with the conditions of the market which may rise and has, in fact, risen high in recent years.
- (c) Government undertakes the liability of paying out a portion of the money to depositors (for example, advances from Provident Funds) at uncertain intervals, but this liability is ignored in fixing the rate of interest.
- (d) The position is also unsatisfactory from the point of view of the depositor, who is forced to accept a rate of interest based on short term deposit rates which frequently is demonstrably less favourable than terms which he could secure for himself if he were at liberty to invest the money, which he does not expect to require for a long time, in some long period security.

3. These defects arise mainly from the fact that there is no body corresponding to the National Debt Commissioners in England to whom these Funds could be handed over by the Government for investment. It is therefore proposed that a similar body might be constituted in India on the following lines :—

(1) It would consist of—

- (a) a Managing Governor of the Imperial Bank of India,
- (b) a representative of the Railway Board,
- (c) a legal adviser, possibly the Advocate General of Bengal or Bombay,
- (d) two representatives of Government servants to be nominated by Government (when Provident Funds are under consideration), and
- (e) the Controller of the Currency.

(2) To this body would be transferred all monies in the Government balances in India described in paragraph 1 above, except the Post Office Cash Certificates and the Post Office Savings Bank deposits. The inclusion of these last two items would involve considerable administrative difficulties. It is therefore proposed to exclude them for the present.

The monies would be transferred in the shape of Government of India stock, the precise nature of which would have to be determined at a later stage.

- (3) The management of the Provincial Loans Fund would be transferred to the proposed Board. The liabilities of this Fund on the 31st March 1926 amounted to 114.59 crores and the interest paid amounted to 5.21 crores. The average rate of interest was 4.54 per cent. The whole of this debt could be given the form of $4\frac{1}{2}$ per cent. Provincial loans stock issued to the Government of India on such terms as to yield the same amount in interest as the total amount of interest payable by the Provinces on their debt to the Government of India. If the management were transferred to this body, it would, of course, be possible for it to invest a considerable portion of its surplus money in this stock.
- (4) The class of security in which the Commissioners could invest their money in future would be subject to the approval of the Government. This would necessarily vary according to the nature of the Fund.
- (5) As regards Provident Funds, the relations between Government and the contributors to the Funds so far as guarantee of capital, repayment, etc., are concerned, would remain the same as at present. In other words, the Commissioners would only be an investing body and the present guarantee as regards depreciation of capital, etc., would continue. The Government would continue to do all the work in regard to receiving money from subscribers, paying out advances to them, etc., and also the keeping of accounts. The cost of keeping the accounts, would, however, be debited to the Funds.
- (6) Separate accounts would be kept for the different Funds so as to exhibit clearly the contribution of the tax-payer to the Service Funds on which a favourable rate of interest is paid.
- (7) A minimum rate of interest (say 4 per cent.) would be guaranteed by the Government. At the end of every year the liabilities to the subscribers would be compared with the value of the assets in the hands of the Commissioners in order to determine whether there is a surplus or a deficit. A portion of the surplus, if any, would be transferred to a reserve fund to provide for any contingent liability under the guarantee against depreciation and the remainder credited proportionately to the accounts of the subscribers.
- (8) Since the class of securities in which the Board could invest their surplus money would depend on the nature of the Fund, it would be necessary to maintain separate accounts for different classes of Funds. For instance, a separate account would be maintained for the Provident Funds, another for the Railway Reserve and other depreciation funds and so on.

**MEMORANDUM ON THE DEVELOPMENT
AND WORKING OF REPRESENTATIVE
INSTITUTIONS IN THE SPHERE
OF LOCAL SELF-GOVERNMENT.**

FOREWORD.

Section 84-A. (2) of the Government of India Act requires the Statutory Commission to inquire into the "development of representative institutions" in British India. Local bodies, *i.e.*, municipalities, district or local boards, and village unions and panchayats, come within the category of representative institutions, and in the following memorandum an attempt has been made to give an account of the development of these different units of local self-government. The first part of the narrative traces the historical evolution of local self-government in India under British administration and is fairly complete. The second part gives an account of the structure of local bodies and, so far as such an account involves an analysis of the provincial laws governing the constitution, functions and powers of these bodies, and of the Government control to which they are subject, the picture presented in the memorandum seeks to give the broad outline. In the third part, an attempt has been made to give some idea of the manner in which these institutions have actually worked. This portion of the narrative should normally include not only a description of the use which local bodies have made of their powers, but also of the use made by the electorate of the vote. Unfortunately, in regard to the latter point, the material available gives practically no information. Even as regards the first point, the picture is necessarily in the nature of a rough and incomplete sketch. Fullness could only be attempted after the receipt by the Government of India of the provincial accounts which are now in preparation. When these accounts are received, the memorandum will be expanded. Meanwhile, it is hoped that it may be useful to the Commission as a preliminary survey of the position based on data now available to the Government of India.

February 1928.

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Memorandum on the development and working of representative institutions in the sphere of local self-government.

PART I.—HISTORICAL.

Local self-government in India, in the sense of a representative organisation, responsible to a body of electors, enjoying wide powers of administration and taxation, and functioning both as a school for training in responsibility, and a vital link in the chain of organisms that make up the Government of the country, is a British creation. The ancient village communities were constituted on a narrow basis of hereditary privilege or caste closely restricted in the scope of their duties—collection of revenue and protection of life and property were their main functions—and were neither conscious instruments of political education, nor important parts of the administrative system.

2. *Municipal Government in the three Presidency towns prior to 1870.*
—Municipal Government was first introduced in India in the last quarter of the 17th century in an urban area—Madras. In 1687, the Court of Directors ordered that a corporation, composed of European and Indian members, should be formed for purposes of local taxation. The experiment had a brief and unsuccessful trial. A Charter of 1726 superseded the corporation by a Mayor's Court, which was more a judicial than an administrative body. No further mention of municipal legislation is to be found in any presidency for the next 50 years. When the Regulating Act of 1773 (33 Geo. III, Cap. 52) came into operation, the Justices of the Peace, whom the Governor-General in Council was empowered to appoint for the presidency towns from among covenanted civilians and other *British* inhabitants were in turn invested with authority to

provide for the sanitation and protection of Madras, Bombay and Calcutta. But the principle of election was not recognised until 1845 in Bombay and 1847 in Calcutta. Act XI of 1845 established a Board of Conservancy in Bombay and empowered the Justices of the Peace, who were appointed under the Regulating Act of 1773, to *elect* 5 members. For Calcutta, Act XVI of 1847 set up a board for 7 "commissioners for the improvement of the city," of whom four were to be elected in accordance with a scheme agreed upon by the rate-payers and approved by the Government. In Madras no step towards the recognition of the elective principle was taken at this period. Two Acts, Nos. XIV and XXV, which were passed in 1856, and applied to all the three presidency towns, prescribed for them an uniform system of administration and defined the functions of civic administration. But between 1856 and 1858 the elective principle suffered a set-back. Acts were passed which created in each of the three presidency towns a body corporate consisting of 3 nominated salaried members in whose hands all municipal functions were concentrated; only in Bombay the Justices of the Peace were allowed to retain the right to elect representatives, but the number was reduced from 5 to 2. Advantage was taken by each presidency Government of the local legislative independence granted by the Indian Councils Act of 1861 to remodel the system of municipal administration in the three presidency towns: but Madras alone took power (which was never acted on to allow election by rate-payers).

3. *Municipal Government and Lord Mayo.*—The first substantial step towards the establishment of municipal Government in the presidency towns on an elective basis was taken during the viceroyalty of Lord Mayo. The need for financial decentralisation as an aid to economy and efficiency of administration provided the occasion for a departure in policy; Lord Mayo's statesmanship widened the objective. By a resolution No. 3334, dated the 14th December 1870, the Government of India made over to local Governments certain departments of the administration of which *education, medical services and roads*, are, for the purposes of this memorandum, important, as they still constitute the principal activities of local bodies. One great object of this decision was to afford opportunities for the development of self-government, for strengthening municipal institutions, and for the association of Indians and Europeans to a greater extent than heretofore in the administration of affairs. The result was considerable legislative activity, which had the effect of introducing a real measure of municipal self-government into India. Bombay Act III of 1872 fixed the number of members to be elected to the corporation of Bombay at *one-half* of the total; Act IV of 1876 fixed the corresponding proportion for Calcutta at *2/3rds*. By Act V of 1878 the rate-payers of Madras were empowered to elect *one-half* of the municipal commissioners. Bombay allowed the corporation to elect its own chairman: in Madras and Calcutta, the power of nominating this functionary was reserved to Government. For each town the qualifications of electors were prescribed as (a) attainment of the age of majority—21 years, and, (b) payment of a minimum sum annually in

Paragraph 23
of resolution.

municipal taxes. The amounts were Rs. 30 in Bombay and Rs. 25 in Calcutta and Madras. In Bombay fellowship of the university also constituted a qualification.

4. *Municipal government outside presidency towns.*—The history of municipal Government in urban areas outside the three presidency towns does not begin until the forties of the last century. Acts were passed, for Bengal in 1842 (Act X of 1842) and for the whole of British India in 1850 (Act XXVI of 1850), permitting the formation, on the application of the inhabitants, of local committees to make better provision for purposes connected with public health and convenience, and to raise taxes in pursuance of this object. The Bengal Act failed completely. The Act of 1850 worked with some success in the North-Western Province, now known as the province of Agra, and in Bombay. It had no effect in Madras and Bengal. In 1863 the report of the Royal Army Sanitary Commission prominently directed attention to the unhealthy condition of towns. Action was taken by the different local Governments, by Bombay in 1862, by Bengal in 1864, by Madras in 1865, by the Punjab in 1867, by the North-Western Province in 1868 and by the Central Provinces under the Bengal Act of 1864 and the Punjab Act of 1867, to do away with the voluntary principle on which alone municipalities could be constituted under Act XXVI of 1850, and to invest local Governments with power to set up committees to look after the water supply, lighting and sanitation of towns. The Bengal Act (Act VI of 1865)—which applied only to the smaller towns—the North-Western Province Act (Act VI of 1868), the Punjab Act (Act XV of 1867) also recognised the possibility of a number of members of municipal committees being elected with the permission of the local Government. In the Central Provinces the elective principle was actually introduced in the majority of the towns in 1868.

Resolution of Lord Mayo's Government.—The resolution of Lord Mayo's Government was responsible for inclusion of the principle of election in the municipal law of provinces where the system was not already recognised. In Madras power was taken under Act III of 1871 to allow the rate-payers, subject to rules framed by the local Government, to elect the non-official members of municipal committees. In Bombay, by Act VI of 1873, the elective system was made permissive in regard to two-thirds of the body of commissioners in the larger municipalities which were designated "city" municipalities. Bengal Act II of 1873 empowered the Government to authorise the rate-payers to elect municipal commissioners in the large towns in which the Act of 1864 was in force.

5. *Resolution of Lord Ripon's Government on local self-government.*—The effect on local self-government of the policy inaugurated by Lord Mayo was reviewed in 1882. Considerable progress was recorded since 1870, both in the number and usefulness of municipalities. But progress was found to have been more unequal in different parts of the country than varying local circumstances seemed to warrant. In many places, services adapted for local management were found to be still reserved in

*Cf. Memo.
of Lord
Macdonnell,
pages 11-12.*

tive authority which should exercise control over the administrative functions of the High Courts and should perform the other functions relating to the administration of justice which affect these Courts.

The Normal Case.

2. The authority to establish by Letters Patent a high court of judicature in any territory in British India rests in His Majesty alone, and all High Courts now existing in India have been established by the exercise of this authority. Every judge of a High Court holds office during His Majesty's pleasure. Additional judges, however, who may be required for any period not exceeding two years, are appointed by the Governor-General in Council, and temporary vacancies in the office of Chief Justice or other judge may be filled by appointment made by the local Government. The salaries and certain other conditions of service of judges of High Courts are fixed by rules made by the Secretary of State in Council. The local limits of the jurisdiction of a high court may be altered by order of the Governor-General in Council. A Judge on assumption of office makes his declaration before an authority prescribed by the Governor in Council; on demitting office he tenders his resignation to the local Government.

The appointment of High Court Judges and their tenure.

3. The administrative functions of the High Courts, apart from particular quasi-administrative or judicial functions assigned to them by specific Acts, are described in the Government of India Act and in the Letters Patent by which each court was established. Section 106 of the Act confirms to the several high courts "all such powers and authority over or in relation to the administration of justice, including power to appoint clerks and other ministerial officers of the court, and power to make rules for regulating the practice of the court, as are vested in them by Letters Patent, and, subject to the provisions of any such Letters Patent, all such jurisdiction, powers and authority as are vested in those courts respectively at the commencement of this Act." Section 107 recites the Court's powers of superintendence over all courts for the time being subject to its appellate jurisdiction, and its particular powers to call for returns, direct transfer of suits or appeals, make rules regulating the practice of subordinate courts, prescribe forms and settle tables of fees. The Letters Patent confer on the Chief Justice powers to appoint clerks and other ministerial officers and to make rules for the qualification and admission of advocates, vakils and attorneys. The powers conferred on the Court by particular Acts need not at present be set out in detail, but it is important to refer to the powers conferred by various provincial Civil Courts Acts in the matter of the recruitment and control of the subordinate civil judiciary. In Madras and Burma the appointment of Munsifs or Sub-judges is made by the High Court; in Bombay and the Central Provinces such appointments are made by the local Government, while in Bengal, Bihar and Orissa, Assam, the United Provinces and the Punjab the appointments are made by the local Government on the nomination of the High (or Chief) Court.

The administrative powers of High Courts.

XV of 1883. the commissioners as the general rule. It also fixed one quarter of a
 Punjab Act board's number as the maximum that could consist of officers. The
 XIII of Bengal Law (Act III of 1881) provided a municipal constitution, of which
 1884. the chief features were:—
 Burma Act XVII of 1884.

- (a) election by the rate-payers of *two-thirds* of the municipal commissioners ;
- (b) election by the commissioners of a chairman for all municipalities except 26, which were scheduled ;
- (c) election by all municipalities of the vice-chairman ; and
- (d) fixation of the maximum number of official members at one-fourth of the total.

In the North-Western Province and Oudh Act XV of 1883 provided, for all the municipalities to which it applied, election by rate-payers of *three-fourths* of the members and of the chairman and vice-chairman by the municipal committee. The latter privilege was subject to the right of the local Government to appoint a chairman in any specified municipality. In the Punjab, Act XIII of 1881, left the introduction of the elective principle to the discretion of the local Government, but gave municipal committees power to elect their own presidents and vice-presidents, subject to Government approval. As regards the election of members it introduced one condition, viz., that once the elective principle was introduced into a municipality, it could not be withdrawn, except on the application of the majority of the electors, or for reasons affecting the public interests. For Burma the Imperial Legislative Council passed Act XVII of 1884 which was practically identical with the North-Western Province Act of 1883. Assam and the Central Provinces adopted no new legislation. The former continued to follow the provisions of Bengal Act V of 1876 ; the latter of Act XI of 1873.

7. *History of local self-government in rural areas.*—The qualifications of electors and members prescribed for municipalities in provinces and the Government control to which they were subject are set forth briefly in *appendices II-IV. A summary is now attempted of the effect produced by the resolution of 18th May 1882 on local self-government in rural areas. Prior to 1882 the evolution of local self-government outside cities took the form of the establishment of local funds for local improvements. These funds were raised on a semi-voluntary basis or under executive orders, and were managed either by local officials or small local committees, *some of which had a nominated non-official element*. Such legislation on the subject as was passed before 1882 merely had the effect of giving (a) statutory sanction to the levying of rates, and (b) power to create local committees. But the elective principle was not introduced. Thus, in Madras, Act VII of 1866 authorised the levy of a road cess, but did not provide for the association of a popular element in the administration of the fund. Act IV of 1877 replaced the

Act of 1866 legalised the levy of (1) a cess on the rental of all occupied land, (2) a house-tax and (3) tolls on vehicles. The increase from these imposts was to be devoted to the development of communications, education, medical relief and sanitation—duties which even to-day are the principal concern of rural boards. The presidency was divided into local fund circles, and boards were formed in each circle, of which half the members were non-officials. But these members were *not elected*, and all the executive power was vested in the Collector who was *ex-officio* president. In the Bombay Presidency, Act VIII of 1865, provided for the levy in Sind of a cess on land and *sair* revenue, and of a tax on shops. Part of the income was paid to local committees for expenditure in works calculated to promote public health, comfort or convenience. But the law was silent as to the composition of these committees. For the rest of the presidency, the Bombay Local Funds Act of 1869 (Act III of 1869) was passed. This established local fund committees, *at least one-half of the members of which were to be non-officials*, to ascertain and provide for local public health, education, and convenience. These bodies were empowered to levy a cess of one anna in the rupee on land revenue. But election to these bodies was not recognised. In Bengal a Road Cess Act was passed in 1871. It established local committees to ascertain and provide for local needs in regard to means of communication. Two-thirds of the members had *to be either elected or nominated from among the rate-payers*. But in practice election to these committees was not adopted. For the North-Western Province the Government of India passed Act XVIII of 1871, which empowered the local Government to raise certain cesses from land, and provided for the constitution of district boards or committees to administer the funds so raised. In these there were no elected members. In the Punjab, by Act XX of 1871, provision was made for the appointment of committees in each district to control (1) the funds which were raised under the Punjab Local Rates Act of that year, and (2) certain land cesses, already imposed at the time of land settlements, for expenditure on roads, schools and local purposes. These bodies were composed of *nominated* officials and non-officials in the proportion of two-thirds to one-third. In the Central Provinces certain cesses were raised by executive authority, but the people were in no way associated with Government in their administration. In Assam, ferry fund committees and education committees were set up by executive order in 1872 and 1873 respectively to advise the Deputy Commissioners in the management of the allotments made for district roads and education. The Assam Local Rates Regulation of 1879 empowered the Chief Commissioner to establish district committees for the purpose of determining and controlling the expenditure of the rates leviable under the regulation. But the non-official element which was fixed at not less than 2/3rds of the total membership was entirely nominated.

8. *Effect of the resolution of 1882 on local self-government in rural areas.*—The resolution of 18th May 1882 defined the unit and scope of local self-government in rural areas, sought to relate its development,

to the ancient system of village government known as panchayat and gave a powerful impetus to the remodelling of such units as already existed.

(a) *Madras*.—Madras Act V of 1884 provided for the establishment of a hierarchy of units of local Government. At the bottom was the village panchayat or union, exercising jurisdiction respectively over a village or group of villages. These bodies were to attend to the general sanitary arrangements of the villages and to the diffusion of education. Above the unions were taluk boards, normally exercising control over the village and union panchayats comprised within the revenue division of the district. The taluk boards were made subordinate in turn to district boards. *Power was taken by the local Government to make appointments to these three classes of boards either wholly by nomination or partly by nomination and partly by election.* A limit was imposed on the proportion of members that could be nominated to district and taluk boards in which the elective element was introduced. Election to district boards could only be by members of taluk boards from among themselves. Only to the village union, members other than the headmen of the villages comprised within it could be elected by the rate-payers. To a taluk board which had no unions under it, elections could be made by the tax-payers; to a district board with no subordinate taluk organisations, elections could be made by the unions and panchayats or finally by the tax-payers and inhabitants generally. Election of presidents and vice-presidents could be allowed to all the units of this hierarchy; but where permission was not given, the Collector was to be *ex-officio* president of the district board, and the Divisional Revenue Officer of the taluk board. The president of the panchayat, when not elected, was to be appointed by Government.

(b) *Bombay*.—The main constitutional feature of the Bombay Local Boards Act of 1884 (Act I of 1884) was the *recognition of the elective principle*. Otherwise, it reproduced the main provisions of the Bombay Local Funds Act of 1869. The taluka sub-committees which that Act had created were re-named "taluka boards", and became the primary units of rural local self-government; the district committees were designated local boards, having control over the taluka boards. *Each board was to consist partly of elected and partly of nominated members*; at least one-half of the members were to be elected, and not more than one-fourth were to be salaried officials of Government. *The power to appoint the president or allow him to be elected was left to Government.* If the president was a salaried official, the board had the right to elect its vice-president. No village unions or panchayats were created.

(c) *Bengal*.—The Bengal Government proceeded on the principle of differentiating between different portions of the province on the basis of their fitness to exercise the powers of local self-government. In the more advanced districts, local boards were given jurisdiction over sub-divisional areas, and district boards were created with independent functions as well as with controlling authority over local boards. In

less advanced portions, only district boards were established and the power of creating local boards was left to the local Government. As regards the village, the Bengal scheme resembled the Madras plan, except that it left to the local Government the power to create village unions on suitable occasions. *In the advanced districts, the principle of election to local and district boards was introduced*; with regard to the less advanced parts, Government retained the power *to nominate all members*. The election to local or sub-boards was by qualified voters; to district boards by members of sub-boards, which could elect their own chairmen. The chairman of the higher organisation could be either elected or nominated at the discretion of Government. The members of union committees, where established, were to be elected from among the rate-payers.

(d) *North-Western Province*.—In the North-Western Province, Act XIV of 1883† provided for the establishment in each district of a district board having authority over the entire district, for the division of districts into sub-districts, and for the setting up of local boards for each sub-district. The local or sub-boards were to be the agents of the district boards for the exercise of such authority within their jurisdiction as might be delegated to them by the larger unit. The district board was vested with authority to revise or vary any proceedings of a sub-board by a resolution passed by two-thirds of the members present. *The local board was to consist of members, partly elected and partly nominated*. The proportion of the latter could not exceed one-fourth of the total membership. District boards consisted of all the members of local boards, but, *if Government so directed some of them were to be elected by members of the sub-boards from among themselves*, and the remainder, not exceeding one-fourth of the total, were to be nominated by Government. Local boards elected their own chairman. *District boards had the option to elect their own chairmen or to ask Government to select one for them*. Government had the right to veto any election made by a district board. No provision was made in the law for the creation of village panchayats or unions.

(e) *Punjab*.—Punjab Act XX of 1883 provided for the establishment of district boards. Discretion to create local boards or sub-district boards was left to the local Government, which was also invested with the power to fix the number of members of each class of board, subject to a minimum of six, and *to decide whether appointment should be by election or nomination or by a combination of both methods*. The proportion of salaried or official members was generally not to exceed one-third of the entire membership. Government was to decide whether the chairman should be elected or nominated.

(f) *Central Provinces*.—In the Central Provinces, Act I of 1883† enjoined the Chief Commissioner to “aggregate the several villages into circles” and to aggregate “circles” into “groups.” For “circles” no self-governing agency was established. For each “group,” of circles, a local board was set up, and for each district a district council having

authority over the entire district. The district council was to *include members elected by members of group circles from among themselves, nominated or elected representatives of the mercantile and professional classes and nominees of Government not exceeding one-third of the total number of members*. The subordinate or local boards were to be composed of one or more headmen of the villages composing the group, of elected or nominated representatives of the commercial or professional classes resident in the group, and of nominees of Government who were limited to one-third of the total. Both classes of boards could elect their chairmen out of the members.

(g) *Assam*.—In Assam, the elective system was not applied to Indians. But resident members of the European planting community were permitted to elect representatives to the board of the sub-division which became the territorial unit of self-government.

9. The importance of the policy adumbrated by Lord Ripon's Government in the history of rural local self-government is best illustrated by contrasting the institutions it created with those which it replaced. As has already been stated, in form, units of local self-Government had existed in some provinces for a considerable period ; in others, nominally, during a period of time shortly preceding 1882. "But", in the words of the late Lord Maedonnell, "as administrative bodies the earlier bodies were mere shadows. Their members met only under pressure. They merely registered the orders of the executive. They rarely exhibited anything like public spirit." They were not schools for training in self-government. Lord Ripon's pronouncement laid down in clear language that they were to be treated as vital links in the administrative chain and as schools for training the inhabitants of the country in responsibility ; and that their formation was to be encouraged. It gave them legal status, and provided local Governments with the ideal to which their growth was to conform.

10. In 1896, the Government of India reviewed the results of the legislation which was passed in regard to municipalities in 1883-85. A similar review relating to district and local boards was issued in 1897. But these resolutions marked no change or advance in policy. They are useful mainly as showing that the income and expenditure of local bodies had increased ; that in the bulk of the provinces, municipal expenditure on objects of public utility, such as water supply and drainage, conservancy, public works and public instruction represented a substantial proportion of the total ; that in the rural areas local boards devoted the greater portion of their resources to civil works —principally communications, education coming next and medical relief last. The verdict regarding these bodies was "that much useful work was done by them and that they had made substantial progress in the work of administration."

11. *Local self-government and the Royal Commission on Decentralisation*.—In 1907-09 the subject of local self-government was considered by the Royal Commission on Decentralisation. The Commission made

a number of detailed proposals to enlarge powers of local bodies and to make them more democratic. But the pronouncement of the Government of India on these recommendations, which is embodied in a resolution issued by them in 1915, though favouring a general policy of further progress, left to local Governments the decision as to its pace.

12. *The declaration of 20th August, 1917.*—The next step forward was the direct outcome of the declaration of 20th August 1917 regarding the future policy of constitutional advance in British India. In commenting on this pronouncement, Lord Chelmsford explained to the Imperial Legislative Council on 5th September 1917, that the first road along which advance could be made towards “the progressive realisation of responsible Government in India” was in the domain of local self-government. The authors of the Joint Report on Indian Constitutional Reforms took the same view. They thought that popular growth must be more rapid in the lower than in the higher level of the structure of Government, and were of opinion that the largest measure of responsibility should be introduced in the sphere of local self-government. One reason for this was that local bodies constitute the base of the administrative pyramid. The second reason was that as these bodies concerned themselves with matters which immediately and ultimately concern the individual, i.e., local sanitation, local communications, local dispensaries and local schools, the elector would take a keen personal interest in their working, and his representative an efficient part in the administration by virtue of his understanding of local problems. To make local self-government both fully representative and responsible they suggested the following formula :—

Para. 188,
p. 93 of
report.

“There should be, as far as possible, complete popular control in local bodies, and the largest possible independence for them of outside control.”

13. *Resolution of 16th May, 1918.*—The recommendations of the authors of the Joint Report, in so far as they aimed at fundamental changes in the powers and duties of the Secretary of State, the Government of India and local Governments, had to be given effect to by legislation in the Imperial Parliament. Their suggestions regarding the development of local self-government needed no such sanction, and were elaborated in a resolution which the Government of India issued on 16th May 1918. The principles enunciated in this document were as follows :—

- (1) That in both municipalities and rural boards, a substantial elective majority should be secured.
- (2) That the representation of official experience should be secured by the nomination of experts for purposes of discussion and advice only and without the right of voting.
- (3) That special representation of minorities, where this was necessary, should be secured by nomination rather than by a system of communal or proportional voting.

- (4) That the franchise for election to local bodies should be sufficiently low to obtain constituencies which will be really representative of the rate-payers.
- (5) That there should be general replacement of nominated official chairmen of municipalities by elected non-officials and, that for rural boards also ; the election of non-official chairmen should be encouraged wherever possible. Where nomination was necessary, endeavour should be made to nominate non-official chairmen.
- (6) That boards, both municipal and rural, with substantial elected majorities, should have full liberty to impose or alter taxation within the limits laid down by the municipal laws ; where no limits were imposed by the law, the sanction of outside authority should be required to increase the existing tax. Boards which were indebted to Government should not be allowed to reduce a tax without the sanction of Government.
- (7) That local bodies should, subject to such general principles as Government may prescribe, have full control of any funds that they themselves may raise for any particular object.
- (8) That, subject to the requirement of maintaining a minimum standing balance to be prescribed by Government, local bodies should have a free hand with regard to their budgets.
- (9) That the system of requiring local bodies to devote fixed portions of their revenues to particular objects should be done away with. But, if Government gave a grant for a particular object, the grant must be applied to that object.
- (10) That an advance should be made towards the emancipation of boards from the restriction to seek outside sanction for public works expected to cost more than a certain amount.
- (11) That, except with regard to the appointment, removal and conditions of service of the principal executive or of expert officers, outside control over the establishments of local bodies should be eliminated, Government only prescribing general rules in respect of such matters as leave allowances, maximum salaries, pension or provident funds.

These principles aimed at a thorough democratisation of the electorates and the composition of local bodies, and at as complete a measure of emancipation from outside control as local circumstances and considerations of prudence seemed to warrant. Control, in fact, it was sought to limit to taxation and borrowing, and to interference in the event of grave default or dereliction of duty.

14. *Village panchayats*.—The Decentralisation Commission had devoted a special chapter to the discussion of this subject, and to the formulation of proposals for fostering village government. The Government of India resolution of 1915 had laid down certain guiding principles, but, during the three years that had elapsed since its issue, there had

been no practical developments in this field. Presumably, the war was responsible for this inactivity. The resolution of 1918 dealt afresh with the question of the formation of village panchayats, viewed not as mere mechanical adjuncts of local self-government but as associations designed to develop village corporate life on the basis of the intimacy existing between the inhabitants, who had not only common civic interest, but were also connected by ties of tradition and of blood. In this resolution the danger of insistence on the pursuit of a rigid uniformity of model when so much depended on local tradition and local aptitude was recognised. But the need for making an effective beginning in the field was also impressed on local Governments. Simplicity of legislation which would allow the maximum of elasticity for the regulation of the experiment was enjoined. For general guidance it was suggested (a) that village officials should be associated with panchayats, the other members being chosen by informal election by the villagers, (b) that their functions should be to look after village sanitation, village education and petty litigation, both civil and criminal, and (c) that they should have powers of permissive taxation, but that the assignment to them of a portion of the village cess should be the normal way of financing their activities.

15. *Result of resolution of 1918.*—The result of the 1918 resolution was fresh legislation to give effect to the principles enunciated in that document. In the major presidencies some or all of it was passed before the introduction of the reforms. Madras for instance passed four Acts, i.e., the Madras City Municipal Act in 1919 and the District Municipalities Act, the Local Boards Act, and the Village Panchayats Act in 1920. Post-reform legislation in this presidency embodies no important advance. Bombay also passed an Act in 1920 to constitute or increase the powers of village committees. Bengal passed a Village Self-Government Act in 1919 which incorporated the policy of constituting at the earliest possible date union boards, comprising groups of villages, throughout the Presidency, and the Central Provinces, a Local Self-Government Act, relating to rural boards. But rules under this last Act were promulgated by the reformed Government.

16. Under rule 6 of the Devolution Rules framed under Section. 45A of the Government of India Act, local self-government was classified as a provincial transferred subject. From 1921, therefore, the practical application of the policy and principles formulated in the resolution of May 1918 fell to Ministers. The power was fully exercised as is proved by the number of laws relating to local self-government which were passed by provincial Legislative Councils between 1921 and 1926. In December 1922, the Bombay Legislative Council passed a Bill to amend the various Acts relating to local or rural boards. This measure extended the franchise, removed the sex disqualification and gave increased powers to local boards. Act No. XVIII of 1925, relating to "city" municipalities raised the proportion of elected members to four-fifths of the total number, gave to women the franchise and the right to stand for election, and made special provision for the representation of the de-

pressed classes. In Bengal, the Calcutta Municipal Act was passed in 1923. It recognised the principle of one man one vote, gave the Muhammadans a separate electorate, and removed the sex disqualification. The constitution of the corporation was also democratised, the office of both Mayor and Chief Executive Officer being made elective. In the United Provinces, a private Bill, moved by one of the Minister's followers, was passed in 1922 reducing the qualifications for the municipal vote. In November 1922, the Legislative Council of the same province passed an Act relating to district boards (Act X of 1922) which reduced the franchise, gave the Muslims a separate electorate, completely de-officialised the composition of boards, and conferred on them power to impose taxes on circumstances and property and to increase the local rates. The Punjab passed no less than five laws on the subject of local self-government. The Punjab Municipal Amendment Act of 1921 increased the power and independence of municipalities. The Punjab District Boards Act passed in the same year, also generally lowered the franchise. The Punjab Small Towns Act, the Village Panchayats Act and the Town Improvements Act aimed, according to a report of the local Government, at creating "a democratic and self-reliant spirit" and at setting up "a better organisation" in these smaller units of population "for purposes of sanitation and public health." A redistribution of seats on local bodies was also carried out on the basis of the mean ratio between the population of the different communities inhabiting the province, and their relative voting strength. In municipalities, the communal system of elections, which was an inheritance from the pre-reform Government, was extended. In district boards, communal electorates as such were not introduced. The nominated element on all local bodies has been substantially reduced and municipalities have been encouraged to elect non-official presidents and vice-presidents. In Bihar and Orissa, one of the first acts of the Minister was to call a conference to discuss a Bill drafted by the pre-reforms Government to amend the Bengal Municipal Act of 1884. The main features of the law, as finally passed, were—

- (i) extension of the franchise to all persons paying Rs. 1-8 in municipal taxes and also to educated women, otherwise qualified,
- (ii) disqualification of salaried servants of Government for election as chairman and vice-chairman of a municipality, and
- (iii) creation of a local self-government board, with a majority of members elected by the Legislative Council from its own ranks, to exercise such powers of co-ordination and control as Government may delegate to it.

The law to amend the former Local Self-Government Act was also influenced by the discussions which took place in the conference convened to consider the Bill relating to municipalities. It introduced, for the first time, direct election to district boards, and removed the

boards from the supervision and control of local officers. The election of salaried officials of Government to hold the post of chairman or vice-chairman of a board was made impossible. The central machinery provided for district boards was a Public Health Board, constituted with functions similar to those of the Local Self-Government Board. A Village Administration Act was also passed which provided (a) for the formation in villages of union boards, charged with certain administrative powers to be exercised under the control of district boards in respect of schools, sanitation, etc.; and (b) for the constitution of village panchayats with power to try petty civil and criminal cases. In the Central Provinces a Municipalities Act was passed in 1922, of which the chief features were extension of the franchise, reduction of official and nominated members, extension of the powers of municipal committees, and reduction of official control. In Assam, the Minister of local self-government was responsible for the passage into law in 1923 of the Assam Municipal Act which had the effect of (a) substituting Government control for control by the commissioners in certain matters, (b) subjecting the rule-making power of Government to the approval of the Legislative Council, and (c) the establishment by rule of *communal* representation on municipal boards. In 1926, the Assam Legislative Council passed three more Acts, relating to local bodies, of which the Assam Rural Self-Government Act (VII of 1926) and the Assam Local Self-Government (Amendment) Act (VIII of 1926) are important. Act No. VII of 1926 provided for the creation of village authorities on a wholly elective basis to undertake the management of village affairs, e.g., water supply, communications and public health. Success in the field of administration first entrusted to these bodies can be rewarded by its enlargement so as to include control of village forests or the management of any local institution or work of public utility within the village area. Control over them is to be exercised, not by local boards, but by a provincial registrar, i.e., by Government direct. Act VIII of 1926 followed the Municipal Act of 1923 in increasing the number and proportion of elected members, in making Government officials only supernumerary members without a vote, and in prescribing election as the normal method of appointing a chairman. The boards have been given additional powers of taxation and the power of control over them of the executive officers of Government has been reduced. In Burma, the Municipal Act of 1884 (Act No. X of 1884) is still in force but a Bill to amend it has been introduced in the provincial Legislative Council. For rural areas, an Act was passed in 1921 (Act No. IV of 1921) which empowered the local Government to establish circle boards and district councils in the districts. The circle board is the smaller unit of local self-government. It embraces, within its jurisdiction aggregations of villages called groups and derives its duties and funds from the district board. The members of a circle board consist of (a) persons elected by groups of village tracts and (b) of co-opted officials of the Medical, Public Works, Sanitary and Veterinary departments. These latter cannot vote. The district council consists of members elected by circle

boards within the district, of co-opted officials, and of members nominated by Government. The number of nominated members cannot exceed three, or one-sixth of the number of elected members, whichever is less. The elected members of both classes of boards elect the chairman. In areas in which no district councils are established, independent circle boards may be formed with or without subordinate village committees.

17. From the preceding summary it will be observed that the principles laid down by the Government of India in 1918 have by now been embodied in the local self-government law of practically every province. The account of the existing structure of municipal and rural boards which is given in the following section will show how far the elective element on these bodies has been strengthened, and to what extent control has actually been reduced and made external. Broadly speaking, it may be said that boards, both municipal and rural, are now predominantly non-official in all Governors' provinces, and that the control of Government has been made completely external by elimination of officers of Government from the position of chairman. And even external control has been limited to the ensuring of public safety and the maintenance of the public peace, to the protection of the public from the effects of grave incompetence and persistent default on the part of civic authority and to the safeguarding of civic finances from the risks of inexperience and imprudent zeal.

Complete figures to show the growth in the size of the electorate are not available, but table III compares the available data for 1919 and 1926 for various classes of local bodies.

PART II.—THE STRUCTURE.

A.—MUNICIPALITIES.

The units of urban local self-government are municipalities. In 1925-26 there were 745 municipalities in British India* (excluding the municipal corporations of Madras, Bombay, Calcutta, and Rangoon), i.e., 80 in Madras, 156 in Bombay, 115 in Bengal, 85 in the United Provinces, 104 in the Punjab, 58 in Bihar and Orissa, 65 in Central Provinces, 25 in Assam and 57 in Burma. 18.24 million people or 7.5 per cent. of the total population of British India* were living within municipal areas.

2. *Composition and strength.*—All the municipalities now have a majority of elected members. In Madras, the United Provinces, the Punjab and Burma, the law fixes the minimum of such members at $\frac{3}{4}$ ths of the whole number; in Bombay the statutory minimum is $\frac{4}{5}$ ths for city municipalities and $\frac{1}{2}$ for others; in Bengal it is $\frac{2}{3}$ rds; and in Bihar and Orissa and Assam $\frac{4}{5}$ ths. In the Central Provinces $\frac{3}{5}$ ths

*Governors' provinces only.

of the members are elected direct by the rate-payers, and another fifth "selected" by the elected and nominated members from the members of the retiring committee. The strength of each municipality is ordinarily fixed by the Government, though in some provinces maxima or minima or both are fixed by the law. The number of elected and nominated members serving on municipalities at different periods, ending with the year 1925-26 is shown in Table I.

3. *The electorate*.—In every province the voter must be a British subject, 21 years of age, qualified by residence, the period of which varies from 120 days to a year, and registered on the voters roll.

Madras.—The fiscal qualifications in Madras are payment of a property tax, or a tax on companies, or a profession tax, or a surcharge on income-tax.

Bombay.—In Bombay the voter must be the owner of a house or building of a minimum annual rental value of Rs. 12 (a little less than a pound sterling), or a capital value of Rs. 200 (a little over £15).

Bengal.—In Bengal payment of Rs. 1-8-0 in rates or payment of or assessment to income-tax, or the possession of certain educational, or professional qualifications, or occupancy of a holding or part of a holding, in respect of which a sum of Rs. 1-8-0 (or 2½ *sh.* in English money) has been paid, constitute the other conditions of eligibility.

United Provinces.—In the United Provinces the qualifications of candidates are prescribed by rules which lay down the minima of amounts payable in municipal taxes, other than octroi or toll, to qualify a person for the municipal vote; other, but alternative, qualifications are possession of a university degree, payment of income-tax, ownership or occupancy or tenancy of landed property, or enjoyment of a certain income. Monetary minima relating to the last four qualifications are also prescribed by rule.

Punjab.—In the Punjab, the qualifications of voters are prescribed by rules framed by the local Government. The monetary qualifications are different for different groups of municipalities. The main qualifications are receipt of a certain income, or ownership or occupancy of premises paying a specified rent, or payment of income-tax or land revenue.

Burma.—In Burma the qualifications are ownership of fixed property or payment of prescribed rates. Graduates are eligible to vote even if the proprietary or fiscal qualification is not fulfilled.

Bihar and Orissa.—In Bihar and Orissa every male person who has paid municipal taxes or fees to the maximum amount of Rs. 1-8-0 or has paid or been assessed to income-tax, every male or female who has been resident in any holding or part of a holding in respect of which a sum of Rs. 1-8-0 has been paid in taxes, and every authorised pleader, medical practitioner or holder of a recognised certificate in certain oriental languages, or a retired pensioner or discharged officer or soldier of the regular army can be enrolled as a voter.

Central Provinces.—In the Central Provinces the qualifications are enjoyment of an income of Rs. 120 (a little over £9) or more ; assessment in municipal taxes to a sum of Rs. 2 or such smaller amount as may be prescribed, or ownership of house property of an annual rental value of not less than Rs. 60 or such smaller minima as may be prescribed. For special constituencies, the nature and amount of taxes to be paid, and the educational qualifications for the franchise are prescribed by rule.

Assam.—In Assam the local Government is invested with power to make rules to specify the qualifications of voters, but the law lays down certain conditions which must be fulfilled, *i.e.*, payment in rates of a minimum amount of Rs. 2, or payment of or assessment to income-tax, or possession of a degree of a university, or practice of certain professions or occupancy of a holding or part of a holding which has paid not less than Rs. 2 in rates, or for a manager in charge of a company or firm occupying land or buildings within the municipal limits, the occupancy of a building of a minimum annual rental value of Rs. 50.

The figures in table III give an idea of the growth in the size of the municipal electorate since 1919. Unfortunately, data for a complete comparison are not available. It will be observed that for the earlier year some provinces have only been able to supply figures for a number of municipalities. In the case of Madras, for instance, statistics for 12 municipalities could not be furnished. In Burma, the number of municipalities has increased since 1919 by 11, but the increase in the electorate was about 31,000. On the whole, it seems safe to assert that in all the provinces the electorate has strikingly increased. Thus, both in Madras and Bombay, even allowing for the fact that figures for certain municipalities are not available for 1919 the increase from 58,554 and 166,775 respectively to 215,348 and 505,091 is remarkable. An exact assessment of the proportionate increase is impossible in regard to the Central Provinces, where the 1919 figures do not give the number of 18 out of 59 municipalities. Nevertheless, the rise in totals from 47,290 to 177,835 is most significant. In the United Provinces and the Punjab the electorate has grown more than twice its previous size, while in Bihar and Orissa and Assam it has nearly doubled.

4. *Qualifications of candidates.*—Every candidate for election to a municipality must be enrolled as a voter. In Madras, Bengal and Assam only male voters are eligible for membership ; subject to this condition every voter can stand for election. In Bombay, the Central Provinces, Bihar and Orissa and Burma any one who is enrolled as a voter can stand for election. Both in the United Provinces and in the Punjab, qualifications of members are prescribed by rule.

5. *Method of appointment of chairmen and vice-chairmen.*—In Madras members of a municipal council elect the chairman from among themselves unless Government otherwise direct. They may also elect one of them to be vice-chairman.

In *Bombay* both the chairman and vice-chairman, called president and vice-president, respectively, are elected in "city" municipalities. In others, the president is elected or appointed from amongst members as directed by Government and the vice-president is elected subject to approval, in certain cases, of the Commissioner or the local Government.

In *Bengal*, the law divides municipalities into those which can elect their chairmen and those which cannot. All vice-chairmen are elected.

In the *United Provinces* the chairman is ordinarily elected but Government has the power to withhold the privilege from any municipality. Vice-chairmen are elected.

In the *Punjab* election is the usual practice, but is subject to the approval of the local Government or the Commissioner according as the municipality is of the first or second class. A municipality can, however, petition Government to appoint a president. Vice-presidents are elected.

In the *Central Provinces* election of the president and vice-president is prescribed by law. The distinctive feature of this province is that persons who are not members of the municipal committee, but are resident within the municipality, are eligible for election.

In *Bihar and Orissa* election is prescribed by statute and Government has the power to nominate a chairman, only if the Commissioners fail to elect one, and in some backward areas. All vice-chairmen must be elected.

In *Assam* the chairmen of all, except a few scheduled municipalities, are elected. All vice-chairmen are elected.

In *Bombay*, the *United Provinces*, *Bihar and Orissa*, the *Central Provinces*, and *Assam* no salaried servant of Government can be elected as president, and the election of such persons in the *Central Provinces* is subject to the sanction of the local Government.

The number of elected and non-elected chairmen in municipalities is compared for the years 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26 in Table I.

6. *The executive.*—In *Madras* the chairman exercises the executive power of the municipal councils and is directly responsible for the carrying out of the municipal law. In *Bombay* the chairman's duty is to watch over the financial and executive administration, and to exercise supervision and control over the acts and proceedings of all municipal employees. The executive power for the purpose of carrying out the provisions of the Act vests in the Chief Officer appointed by the municipality. In *Bengal*, *Bihar and Orissa*, the *Punjab*, and the *Central Provinces*, the municipal committee itself transacts most of the business. The position in the *United Provinces* is similar, except that in municipalities which have no Executive Officer, the chairman is empowered to make appointments to and exercise disciplinary control over municipal servants drawing salaries below a specified amount and to make certain temporary appointments. He can also exercise such general powers as the board

may delegate to him. The chief executive authority for ordinary administration is the executive officer who is appointed by the board by a special resolution.

7. *The establishment.*—In *Madras* appointments to posts under a municipality are, with certain exceptions, made by the chairman in accordance with a schedule of establishments approved by the municipal committee.

In *Bombay* the staff of officers and servants to be employed by the municipality, the respective designations, salaries, fees or other allowances of such officers and servants and their powers and duties are determined by rules made by the municipality. Appointments to posts carrying a salary not exceeding Rs. 50 are made by the Chief Officer.

In *Bengal* the number of subordinate officers and servants necessary for the municipality and the salaries to be paid to them are determined by the municipal commissioners. Subject to the scale of establishment decided upon, the chairman has the powers of appointment and dismissal of functionaries whose salary is Rs. 50 or less.

In the *United Provinces* the power to appoint and to fix the salaries of temporary servants in case of emergency rests with the chairman, but the strength of the permanent staff (other than the executive officer, secretary, engineer, and health officer) required for the discharge of the duties of the board and the salaries to be paid to them are determined by a special resolution of the municipal board. The appointment of Secretary is made by the board but is subject to the approval of the Divisional Commissioner.

A municipal board may, by a special resolution, appoint an executive officer, but such appointment and the salary and other conditions attached to it are subject to the approval of the local Government.

In the *Punjab*, the municipal committee employs such officers and servants as it may consider to be necessary or proper for the efficient execution of its duties and determines their remuneration. But the Deputy Commissioner can require it to dismiss any officer or servant whom he considers to be incompetent, and the Commissioner is empowered to prevent extravagance by requiring reduction of the number or the remuneration assigned to employees.

In the *Central Provinces*, with the exception of the secretary, the health officer or any other special executive officer specified by the local Government by rules made under the Act, a municipal committee is empowered to employ such officers and servants as may be necessary for the efficient discharge of its duties.

In *Bihar and Orissa* the commissioners determine from time to time what officers and servants are necessary for the municipality, and fix their salaries and leave allowances. The chairman has power to make appointments the salary of which is Rs. 50 or less. The creation of any appointment, the maximum salary of which is Rs. 100 and the increase

in the maximum pay sanctioned, to an amount exceeding Rs. 100. is subject to the sanction of the local Government.

In *Assam* the board determines the appointments and status of employees and fixes the salaries and allowances to be paid by it. But the appointment of any officer whose pay is wholly or partially contributed by local Government cannot be created or abolished without the local Government's sanction and nomination to or dismissal from any such appointment is subject to confirmation by the Commissioner of the division.

Provincial Acts also provide for the appointment of committees for the disposal of business in some special branch of the administration, or for investigating and reporting on special questions, or for the management of wards. The parent board delegates to these committees or sub-committees powers for the discharge of such duties as may be assigned to them.

Madras, sec.
23-24.
Bombay,
secs. 37-39.
C. P., sec. 24.
Punjab,
secs. 33-34.
U. P., secs.
104 & 112.
Assam, sec.
41.
B. & O.,
sec. 49.
Bengal,
secs. 50 &
53.

8. *Functions.*—The functions of municipalities in most provinces are similar. Generally, their duties are to provide, maintain and promote the amenities of life for the civic population. Their activities fall under five heads, *viz.*, education, public health, sanitation, medical relief and public works.

Education.—Under education, their primary concern is the construction, maintenance or aiding of elementary, and, not infrequently, of secondary schools. In some provinces, they are also the principal agents for the introduction and promotion of the policy of compulsory primary education.

Public health and sanitation.—In the sphere of public health they concern themselves with drainage, water supply, conservancy, the prevention of epidemics and regulation of offensive and dangerous trades, vaccination and the registration of births and deaths.

Medical relief.—To provide medical relief they may establish and maintain or aid public hospitals and dispensaries, including infectious hospitals.

Public works.—The public works under their control include the construction and maintenance of light railways and tramways, of roads, bridges culverts, and of public markets and slaughter houses, the removal of dangerous buildings, obstructions and projections in or upon streets and other public places, the lighting, watering and cleansing of public streets, the establishment and maintenance of public gardens and parks, libraries, museums and picture galleries, and the planting and maintaining of trees along the public highways. In times of famine they may also open relief works.

Municipalities also construct and maintain veterinary hospitals and fire brigades and hold fairs and industrial exhibitions.

9. *Sources of revenue.*—Municipal revenue is derived mainly from two sources—(1) taxation and (2) Government grants. Table IV compares the revenue derived from these sources for each of the six years ending 1925-26.

The income from the principal taxes in force in different provinces is shown for different periods in table XII. The taxes may be grouped under the following heads :—(1) taxes on persons, (2) taxes on income, (3) taxes on fixed property, (4) taxes on profession, (5) taxes on animals and vehicles, and (6) taxes on trade.

The taxes imposed on persons are the servants' tax, the pilgrims' tax and the tax relating to the occupancy of buildings or holdings based on circumstance and property. The tax on income is the surcharge on the income-tax. The property tax includes rates on buildings or lands or on both. The profession tax includes taxes on companies, trades and callings. Most provincial laws permit taxes on animals and vehicles entering municipal limits or kept or plied for hire within such limits and taxes on dogs kept within municipal limits.

Taxes on trade are the octroi and the terminal tax. Besides these taxes there are imposts which may be comprehensively described as rates levied for public services. In this class would fall the water rate, the drainage tax, the lighting tax, the conservancy tax, the special educational cess and the sanitary cess.

Powers of control of local Governments and their officials, over municipalities.

The powers of direction, superintendence and control over municipalities vested in provincial Governments are more or less similar in all the provinces, and may be grouped under four heads :—

- I. Powers of creation constitution, supersession, suspension and abolition.
- II. Powers over personnel, *i.e.*—
 - (a) office-bearers and members ; and
 - (b) municipal servants.
- III. Financial powers in regard to —
 - (a) taxation ;
 - (b) loans ; and
 - (c) budgets.
- IV. Powers of direct action in emergency.

The local officers of Government, generally district officers and commissioners of division, have powers of inspection and criticism. They can enter upon municipal property for inspection and call for information and records. District officers also have powers of direct action in an

emergency which involves danger to life or threatens the public peace. The following description of the position in Madras will help to give an idea of the nature and scope of these powers.

I. Powers of creation, constitution, supersession, suspension and abolition.

The local Government alone can create a new or modify the territorial limits, or abolish, an existing municipality. If a municipal council is, in its opinion, incompetent, or a persistent defaulter in the performance of its duties or guilty of exceeding or abusing its powers, the local Government can dissolve it or supersede it, for a period not exceeding two years. In the event of supersession, the local Government appoints a person or persons to carry on all or a portion of its duties.

The local Government also fixes the proportion of elected to nominated members, subject to the minima prescribed by the law ; nominates the non-elected members and can remove certain disqualifications for membership.

II. Powers over personnel.

The local Government have to sanction the salary fixed by a municipal council for a paid chairman ; and where a municipality is first created, may appoint all the members for a period not exceeding 18 months. They can remove a chairman who, without sufficient excuse, omits or refuses to carry out any resolution of the municipal council. They may require a municipality, in certain circumstances, to employ a health officer and a municipal engineer, fix their salaries and even appoint them, if the municipality fails to do so within a prescribed period. Where a municipality makes either of these appointments, its action is subject to Government approval. Nor can these officers be removed without such approval. Government servants in municipal employ cannot be dismissed without Government sanction.

III. Financial powers.

Taxation.—Every resolution of a municipal council, reducing or abolishing a tax, has to be reported to Government when a municipality is in debt either to Government or to the public, and is subject to Government's approval. Approval is also required for the imposition of certain taxes, *e.g.*, a surcharge on income-tax, and a pilgrim tax, and to the levying of a property tax on buildings at special rates. Exemption of any part of a municipality from the payment of certain municipal taxes, or the exemption from any tax or toll of any person or class of persons requires Government sanction.

Budgets.—Every municipal council has to submit its budget to the local Government, which have the power to alter it if, in their opinion, adequate provision has not been made for the due discharge of liabilities in respect of loans, and for the maintenance of a working balance ; nor can the provision made for these purposes and approved by the local

Government be altered at any time within the financial year without Government approval.

IV. *Powers of direct action.*

The Government can ask for information and papers, suspend the execution, or cancel, any order of a chairman or of a resolution of a municipal council, or suspend or cancel any license or permission granted by it, if such resolution, permission or license is considered to be *ultra vires*, or likely to cause danger to human life, health or safety, or to lead to a riot or affray. In case of default by a council or its chairman in the performance of any duty imposed by or under the municipal law, the local Government can order its performance within a prescribed period, and, if the duty is not performed, can entrust it to a person appointed by themselves and recover the cost.

The district officer can inspect municipal property and works, call for information and papers and suspend any resolution, order, license, permission or act of a municipal council if he considers immediate action to be necessary in the public interest. In an emergency he can also direct or provide for the execution of any work or the doing of any act which is within the power of the council or its chairman, if such immediate action is, in his opinion, dictated by considerations of public safety.

B.—RURAL BOARDS.

In rural areas, the principal unit of local self-government is the district board. Local or taluk boards are their agents, which generally discharge such duties as may be entrusted to them by the parent board, under the latter's control. In 1925-26 there were 196 district and 581 taluk or local boards in the Governors' provinces.* The jurisdiction of these bodies covered 727,379-733* square miles and included a population of 211,127,308.*

Composition.—In Madras, not less than $\frac{3}{4}$ ths of the members of a district board must be elected. The remaining $\frac{1}{4}$ th are nominated by Government, nomination being made partly with a view to providing for the representation of the Muhammadan community and the depressed and backward classes. The proportion of elected to nominated members in taluk boards is the same as in district boards. In Bombay, both in the district and taluk boards the proportion of elected members is the same as in Madras. In Bengal the law provides that not less than one-half of the members of a district board and not less than $\frac{2}{3}$ ds of the members of a local board may be elected. In the United Provinces all members of district boards except two have to be elected. Of the two members nominated, one is ordinarily selected to represent the backward and depressed classes. In the Punjab, the proportion of elected and non-elected members is determined by the local Govern-

*Excluding Burma for which information is not available.

ment for both district and local boards. In Burma, the proportion of elected members is fixed at $\frac{6}{7}$ ths of the total number of members as regards "circle" boards, which correspond to local or taluk boards in other provinces. As regards district councils, the provision is that ordinarily all members other than those co-opted shall be elected by members of "circle" boards. In Bihar and Orissa, the elected members of a district board must not be less than $\frac{3}{4}$ ths of the total. Nomination of the remainder is designed primarily to secure representation of minorities and of expert knowledge or experience in the administration. The same rule applies to local boards. In the Central Provinces, the proportion of elected to nominated members is 5 : 1 for district councils, while for local boards it is 3 : 1. In Assam not less than $\frac{4}{5}$ ths of the members of a local board have to be elected. Both in the Central Provinces and Assam Government officials are not eligible even for nomination.

The actual numbers of elected and nominated members in the different provinces in 1925-26, and, where available, for earlier years, are given in respect of both district and subordinate boards in Table II.

The electorate.—In all provinces, an elector must ordinarily be a British subject, of 21 years of age (except in Burma, where the age limit is 18 years), of sound mind and possessed of a residential qualification. In Madras, except where there is no taluka board, election to district boards is made by members of the taluka board. The basic electorate, therefore, is the taluka electorate, which rests on a proprietary or tenurial interest in land of the annual rent value of not less than Rs.10, or on payment of income-tax or a profession tax or a tax levied on companies, or of Rs. 3 a year as house tax. A retired pensioner or discharged non-commissioned officer or soldier of His Majesty's regular forces is exempt from the proprietary, tenurial and fiscal qualifications. In Bombay qualifications of electors for district and taluk boards are identical. The monetary value of the interest in land qualifying for a vote varies from Rs. 8 to Rs. 32. Assessment to any tax imposed by a local board other than toll or octroi is an alternative qualification to the possession of an interest in land. In Bengal, as in Madras, members of district boards are elected by the local boards. At elections to local boards, persons possessing the franchise for union boards may vote in areas in which the Bengal Village Self-Government Act of 1919 is in force. Only male persons of 21 years of age or over, who have a place of residence within the union and have paid a minimum cess of Re. 1 under the Cess Act of 1880 or a union rate have the union board franchise. In areas not affected by that Act, the qualifications of a voter are membership of a union committee or payment of a minimum amount of Re. 1, either as a road cess or on account of the chaukidari tax, or possession of a minimum annual income of Rs. 240 or, in the case of graduates or licentiates of a university or pleaders, membership of a joint family, one of whom is qualified for election. In the United Provinces the qualifications are tenancy of land, of which the rent may be as low as

Rs. 25 per annum for permanent or fixed rate tenants and as high as Rs. 50 for other tenants, assessment to income-tax or to a tax on circumstances and property or possession of certain stated educational qualifications. In the Punjab also, interest in land or the payment of a tax forms the basis of the franchise. For instance, an owner of land, within the board's jurisdiction which is assessed to land revenue in a sum not less than Rs. 15 per annum, or an assignee of land revenue amounting to not less than Rs. 30 per annum, or a tenant or lessee of Crown land for a minimum period of 3 years on which a minimum annual rent of Rs. 15 is payable, or an occupancy tenant of land assessed to a land revenue of not less than Rs. 15 can be a voter. The other financial qualifications are assessment to income-tax, or payment in the preceding year of a minimum sum of Rs. 2 on account of a cess, rate or tax payable to the board. Besides these, there is a limited class of voters, whose qualification is status or office. To the former category belong the retired or discharged non-commissioned officers or soldiers of His Majesty's regular forces; to the latter, functionaries known as zaildars, inamdars or lambardars. In Burma, election to district councils, which is the name given to district boards, is by members of circle boards. The age of majority is 18 years. The fiscal qualifications are payment of land revenue, or capitation tax, or a tax on circumstances and property or income-tax or, in the case of non-residents, ownership of property, or payment of a tax on the income derived from such property, or assessment to land revenue on not less than 10 acres of land for a minimum period of 6 years. In Bihar and Orissa, holding an estate, which pays a minimum cess of Rs. 12 p. a., or tenure of land which is assessed for purposes of local cess to a minimum of Rs. 100 p. a. or holding as a raiyat land which is liable to an aggregate rent or local cess varying respectively between Rs. 16 and Rs. 64, and 0-8-0 and Rs. 2, or assessment to income-tax or to a cess in a minimum sum of Rs. 1-8-0, qualifies for a vote. Professional men, such as barristers and pleaders, and persons possessing certain educational qualifications, *e.g.*, matriculation and school leaving certificates, can also become voters, provided that they have been resident within the electoral circle during the preceding 12 months in any holding in respect of which a chaukidari tax has been paid during such period. In the Central Provinces, 2/3rds of the members of district councils, as the boards are called, are elected by members of local boards from among themselves, and 1/6th are "selected" by the elected members. The qualifications of voters for local boards are (1) the holding of land assessed to a minimum land revenue varying between Rs. 50 and Rs. 100 or (2) tenancy of land in respect of which an annual rent varying between Rs. 10 and Rs. 25 is paid, or (3) possession of a minimum annual income derived from sources other than agriculture, of Rs. 250, or payment of a special annual school rate of Rs. 3, or more in Berar. In Assam, assessment in respect of municipal or cantonment rates or taxes to an aggregate minimum amount which varies between Rs. 1-8-0 and Rs. 3, or to income-tax, or to a tax of not less than Re. 1 in a union under Chap. III of the Bengal

Municipal Act, 1876, or in certain constituencies, to a chaukidari tax of not less than a similar amount confers the franchise in the Muhammadan and non-Muhammadan constituencies. In other constituencies, ownership of land of assessable value of not less than Rs. 15 per annum or liability to pay a local rate of not less than Re. 1 per annum constitute the proprietary and fiscal qualifications. In addition, a retired pensioner or discharged officer, non-commissioned officer or soldier of His Majesty's regular forces or the Assam Rifles and, in the Assam Valley and Surma Valley planting constituencies, superintendents or managers or engineers or medical officers employed on a tea estate are also eligible to vote.

The general disqualifications are conviction for a criminal offence involving imprisonment for a specified period or possession of an unsound mind.

The deficiency of the figures supplied for 1919 makes an accurate estimate of the increase in the size of the electorate of rural boards—both district and taluk—or similar smaller organisations difficult. Nevertheless, as in the case of municipalities, the broad conclusion that there has been a substantial or even remarkable increase can be safely drawn. Thus, in Madras the figures increased from 1·12 to 8·62 lacs or more than seven-fold. In Bombay, the increase would seem to have been equally striking, though the fact that the figure of ·65 lacs for 1919 omits all the taluk boards in the Northern Division and 66 taluk boards in Sind and the Central Division, besides a few such boards in the Southern Division, imposes a caution on generalisation. In the Punjab the electorate has more than trebled; in the United Provinces, the 1919 statistics do not include information about 13 out of 48 areas. Still, it is impossible to describe an increase in the number of voters from a little under ten thousand in that year to over a million in 1926 otherwise than as most striking. In the Central Provinces, direct elections are made to local boards, and not to district councils. In this province, it seems safe to state that the electorate has probably increased fourfold. In Assam the increase of approximately 1·55 lacs represents a percentage rise of nearly 179. For Bengal, figures for 1919 are not available. In the case of Bihar and Orissa comparison is impossible as in 1919 the elective system was not in force in the province. Burma shows an unaccountable decrease of 1·80 lacs approximately as compared with 1922, which is the first year in which elections were held.

Qualifications of candidates.—In Madras, Bombay, the United Provinces, the Punjab, Burma, Bihar and Orissa, the Central Provinces and Assam, every candidate for election to a district or its subordinate board must be registered on the proper electoral roll; no other special qualification is prescribed. In Bengal, every *male* person of the age of 21 who is a member of the union committee within the area under the authority of a local board, or has during the year immediately preceding the election has his fixed place of abode within the subdivision for which the local board has been established and has either (a) paid a sum of not less than Rs. 5 as road cess; or (b) been possessed of a clear annual

income of Rs. 1,000 or belongs to a joint family, one of whose members fulfils either of the qualifications described above and is also a graduate or licentiate of a university or a pleader or a muktear, is qualified for election as a member of the district or local board.

The disqualifications for membership are a sentence of imprisonment, bankruptcy, interest in a subsisting contract made with or in any work done for a local board, except as a share-holder of an incorporated company, or service under the board. The disqualification imposed by a sentence of imprisonment can generally be removed by the local Government. In Madras, the United Provinces, the Punjab, Bihar and Orissa, the Central Provinces and Assam salaried officials of Government are, broadly speaking, disqualified for election. In Bombay disqualification on the ground of Government service is confined to judges of a civil court. In Bengal and Burma, Government service is not a disqualification for election.

The executive—

(a) *Appointment of chairman or president.*—In Madras, the president is appointed by the local Government unless election is authorised by the board. In practice, however, nearly all the chairmen are now elected. In taluk boards the election is the normal procedure. In Bombay, the law provides for election of the president of both classes of boards. No salaried servant of Government is eligible for election. In Bengal, the position is the same as in Madras, except that the election of president is subject to the approval of the local Government. In the case of local boards, the approval of the Divisional Commissioner is required instead of that of the local Government. In the United Provinces, the office is elective but Government sanction is required if a person is elected to be chairman for more than two successive terms. In the Punjab, the local Government decides whether the chairman shall be elected or appointed. In 1925-26, there were only two elected chairmen of district boards in this province. The legal position in regard to local boards in the Punjab is the same. In Burma, the chairmen of both district councils and circle boards are elected in accordance with rules made by the local Government. In Bihar and Orissa, the chairmen are elected everywhere in the province, except in the Chota Nagpur division, where they may be either elected or appointed. In case of local boards, election is the practice, though it is subject to the approval of the district board. In the Central Provinces, the chairman is elected ; while in Assam also the office is elective, unless a board requests the local Government to appoint its chairman.

(b) *Appointment of staff.*—In Madras all officers other than the District Engineer and the District Health Officer are appointed by the president subject to rules made by the local Government. Appointment to the office of District Engineer or District Health Officer is subject to the approval of the local Government. In the case of taluk boards all officers are appointed by the president subject to rules. In Bombay, the district local board appoints its officers and those of the

taluk local board, subject to Government control which is exercised to Sec. 111 prevent extravagance. But Government contribute 2/3rds of the salary of the Chief Officer, Engineer or Health Officer if appointment of any of these officers is approved by it. In Bengal, the appointments are made by the boards, subject to rules made by local Government and to approval by the Divisional Commissioner when the salary involved is Rs. 100 or more. The Inspector of Local Works is appointed by the local Government. In the United Provinces, the Punjab and Burma officers and servants are appointed by the board itself, subject to rules made by the local Government. In Burma, confirmation by the Commissioner is required in respect of appointment to the posts of Secretary and Health Officer and of any other officer specified by the local Government. Appointments of officers of circle boards are made by the boards subject to bye-laws made by the district council. In Bihar and Orissa, all appointments, including those of the District Engineers and District Health Officers, are made by the board, but the sanction of the local Government is required to appointments carrying a salary of Rs. 300 p. m. or more. The Inspector of Local Works, as in Bengal, is appointed by the local Government. In the Central Provinces the approval of the local Government is required to appointments to certain posts under the council. The officers of local Boards are also appointed by the district council, subject to similar conditions. In Assam appointments are made subject to rules or conditions prescribed by the local Government whose approval is required to appointments to certain offices, *e.g.*, that of the Board Engineer and Health Officer. Assessors and Collectors of taxes for the construction of railways and tramways and Inspectors of Local Works are appointed by the local Government.

(c) *Appointment of committees.*—For the convenient and expeditious despatch of business all provincial Acts provide for the appointment of standing and *ad hoc* committees and of joint committees to consider matters of importance to more than one board.

(d) *Disposal of business.*—In Madras the president is the chief executive officer of a board. In Bombay, the president has powers of general control but the chief executive is the Chief Officer. In Bengal, the United Provinces, the Punjab, Burma, Bihar and Orissa, the Central Provinces and Assam, the board is the principal executive though certain powers may be delegated to the chairman.

Functions.—Like municipalities district boards are charged generally with the adoption and promotion of measures calculated to improve the safety, health, comfort and convenience of the people living within their jurisdiction. Such differences of detail as exist between the two classes of bodies arise from the different requirements of rural and urban areas. The principal duties of rural boards are the construction and maintenance of roads, the planting of avenues along public highways, the provision and protection of the water-supply for human use, and of canals, tanks, etc., for irrigation, for the use of cattle and generally

for purposes connected with agriculture, the opening, aiding and maintaining of hospitals, dispensaries and schools, the dissemination of sanitary knowledge, the establishment of rest houses, markets, etc., the management of pounds and ferries and properties and institutions entrusted to them, the inception and control of relief works in time of famine, and the aiding of agriculture by the promotion of agricultural exhibitions or the establishment of model farms. Except in Bengal and Bihar and Orissa, these bodies are also specifically empowered to undertake the construction of light-railways, tramways and ropeways. The maintenance of veterinary hospitals is a duty common to boards in all provinces; the provision of facilities for improving the breed of cattle is specially entrusted to them in some provinces. Vernacular education is their principal charge; but other forms of education are not outside their purview. The training of teachers, school inspection and the granting of scholarships are also included in their duties.

Sources of revenue.—The main tax in force in rural areas for the use of district boards and their subordinate units is the local rate which is levied on the annual value of land. In Madras this is known as the land cess and consists of (a) a compulsory rate of $6\frac{1}{4}$ per cent. on the annual rent value levied and (b) an optional rate of not more than three pies in the rupee which may be levied separately for the purposes of both district and taluk boards. In Bombay also the cess may be made up of two elements, viz., the obligatory rate, which is the same as in Madras and the optional which can be imposed only on the application of the board and may be any multiple of 3 pies, subject to the maximum percentage of one anna in the rupee, or $6\frac{1}{4}$ per cent. In Bengal the impost is called the road cess, and is levied under the Cess Act of 1880 at a rate not exceeding $\frac{1}{2}$ anna per rupee on the annual value of lands and the annual net profits of mines, quarries, railways, etc., the rate being fixed by the board. In the United Provinces the maximum rate is $6\frac{1}{2}$ per cent. on estates which are not subject to the Benares Permanent Settlement Regulation, 1795, and $2\frac{1}{2}$ annas per acre in areas subject to the regulation. In the Punjab the maximum rate is 12 pies in the rupee of the annual value of land. In Bihar and Orissa it is levied at the same rate as in Bengal. In Assam the maximum rate is one anna and four pies for every rupee of the annual value of land. In the Central Provinces the maximum rate is $6\frac{1}{4}$ per cent. of the land revenue. In addition special cesses upto the same maximum percentage, i.e., $6\frac{1}{4}$ per cent. may be imposed with the approval of the local Government for the maintenance of schools and roads.

The other forms of taxation vary. In Madras they include a tax on companies, a profession tax, a tax on houses, and tolls on vehicles of transport, besides a tax on persons entering or leaving by railway any place of pilgrimage. This last tax requires the previous sanction of the Governor General in Council before it can be imposed and has to be earmarked for the improvement of places of pilgrimage. In Bombay the additional taxes are (i) a cess on water rate and (ii) generally, any tax which a local authority may be authorised to impose by any laws

made by the local legislature without the previous sanction of the Governor General in Council. In Bengal the additional sources are receipts from tolls and ferries. In the United Provinces a tax may be levied according to their circumstances and property on persons whose income is at least Rs. 200 per annum, subject to a maximum of 4 pies in the rupee as to the rate, and to an aggregate prescribed by rule. In the Punjab, a district board may impose with the previous sanction of the local Government any tax scheduled as exempted from Section 80-A (3) (a) of the Government of India Act and, with the previous sanction of the Governor General in Council, any other tax. Besides these taxes receipts from ferries may be a source of revenue. In Bihar and Orissa additional sources of revenue are tolls on bridges, fees charged at fairs and exhibitions and for the use of staging bungalows, serais and veterinary dispensaries. In the Central Provinces license fees, tolls on vehicles, market fees for the right to expose goods for sale and fees on the registration of animals are leviable. In addition a special occupancy rate may be imposed according to circumstances and property on persons occupying houses, buildings or lands to be applied exclusively to the maintenance of schools. In Assam a license fee on carts and carriages may be levied.

Powers of control of local Governments and their officials over rural boards.

As in the case of municipal boards, the powers of direction, superintendence and control vested in local Governments relate to—

- (1) the creation, supervision and abolition of boards ;
- (2) the composition of boards, i.e., approval or determination of the number of members to be (a) elected and (b) nominated, and (c) regulation of the method of appointment of presidents ;
- (3) the regulation of the qualifications of (i) candidates and (ii) voters ;
- (4) the modification of the territorial jurisdiction of boards ;
- (5) the nomination of a proportion of the members ;
- (6) the levying of new and the abolition or the reduction below or increase above prescribed minima and maxima respectively of rates of taxation already in force ;
- (7) the scrutiny of budgets ; and
- (8) the suspension or cancellation of orders of chairmen or the resolutions of boards to prevent annoyance to the public, danger to human life, or disturbance of the public peace and the adoption of measures to ensure (i) the doing of certain acts, and (ii) the recovery of the expenditure involved.

The power to create new boards and modify the territorial limits of existing ones, to supersede them temporarily or abolish them for incompetence or persistent default of duty or for abusing or exceeding their

Sec. 38 of
Madras Act.
Sec. 126 of
Bombay
Act.
Secs. 124 &
126 of Ben-
gal Act.
Madras Act,
sec. 41.
Bombay Act,
sec. 127.
Madras Act,
sec. 10.
Bombay
Act, sec. 133
(a).
Central Pro-
vinces Act,
sec. 79 (i)
and (iii).
Bengal Act,
secs. 7 and 8.
Punjab Act,
sec. 11.
United Pro-
vinces Act,
sec. 6.
Assam Act,
sec. 4(4).

powers is enjoyed by all local Governments. The emergent powers referred to in (8) can be exercised by local officials, *viz.*, the district officer or the divisional commissioner. A report of the action taken with reasons in full for the exercise of such powers has to be submitted to Government. Government can, however, require a board to perform any duty imposed on it by the law, in respect of which default has occurred, within a specified time, and, if the order is not carried out, can have it carried out through an agency appointed by itself.

In Madras the boards fix in the first instance the total number of members and the proportion of elected members, subject to the legal minimum. The local Government has the power to modify or cancel the decision of the board after giving reasons and considering explanations. In Bombay and the Central Provinces the local Government prescribes by rule the number of members and the proportion of elected and nominated members subject to the statutory minima or maxima. In Bengal, the Punjab and Assam the same power is exercised by notification. In the United Provinces the local Government has only the power to nominate 2 members.]

The qualifications of electors and candidates are prescribed by law in Madras, Bombay, the United Provinces, the Central Provinces and by rules made by the local Government in Bihar and Orissa, Burma, the Punjab, Bengal and Assam.

The powers of rural boards with regard to taxation have already been generally described. As regards the budget, procedure varies. In Madras each district board has to submit its budget to the local Government which can require modification of it in case of failure to provide for the due discharge of liabilities in respect of loans or for the maintenance of a working balance; and, if a supplementary budget has to be made in the course of a financial year, changes with regard to provision for debt require Government sanction. In Bombay, the local Government have retained no power of intervention. In Bengal, the power of revision and approval is vested in Commissioners. In the United Provinces, the local Government can require the revision of a district board budget which must be submitted to it for approval, so as to ensure the maintenance of a prescribed balance, or the appropriation of a Government grant to the purpose for which it was allotted, or adequate provision for the repayment of loans, or for any other object for which the board is legally liable. In the Punjab, the power of approval is vested in the Deputy Commissioner and the final power of revision in the divisional Commissioner. In Burma, the position is practically the same as in Bengal, the Commissioner being the approving and revising authority, and the sanction of the local Government is required only to the reduction of the standing balance prescribed by rule. In the Central Provinces, maintenance of the standing balance

Sec. 117.
Secs. 86-89.
Sec. 48.
Sec. 161.

Sec. 39.

Secs. 41 and
42.

or the central Government. But it altered the bases of general administrative authority. Prior to the coming into operation of the constitution set up by the Government of India Act, 1919, there was no classification of subjects as central and provincial, and consequently no formal assignment of general administrative responsibility in relation to any particular function of government to the Government of India as opposed to the local Government or *vice versa*. In the financial sphere there was no real separation between central and provincial revenues, but inasmuch as the revenue and expenditure of all the High Courts were included in a so-called provincial head, that revenue and expenditure figured in the annual financial statement of the local Government concerned and was open to discussion in the local Legislative Council in accordance with rules made under sub-section (3) of section 80 of the Government of India Act, 1915.

7. The scheme propounded in the Report on Indian Constitutional Reforms and thereafter embodied in the Government of India Act, 1919, necessitated a formal classification of all the subjects of government as central and provincial subjects and the treatment proposed for the High Courts in this respect by the first authority charged with the duty of formulating proposals for the classification of subjects, namely, the Feetham Committee, would have made the constitution and powers of all the High Courts a central subject. For entry 16 in the list of provincial subjects proposed by that Committee ran as follows :—

The allocation of functions between executive organs.—The Reforms—Devolution Rules.

“Administration of justice, including constitution, maintenance and organization of courts of justice in the province both of civil and criminal jurisdiction, but exclusive of matters relating to constitution and powers of High Courts, and subject to Indian legislation as regards constitution and powers of courts of criminal jurisdiction”

and the exclusion of matters relating to constitution and powers of High Courts would have brought those matters within the Committee's proposed central subject 39, namely, “all matters expressly excepted from inclusion in the provincial list.”

The Government of India, commenting on the proposed provincial entry in question in paragraph 64 of their 4th reforms despatch, observed as follows :—

“Item 16 would give the provincial legislatures power to alter without previous sanction the jurisdiction of civil courts. Changes may possibly be made which will react not merely on the public but on the High Courts and the Privy Council, but we are prepared to face this contingency. We think that in addition to matters relating to the constitution of High Courts, matters relating to the constitution of Chief Courts and the Courts of Judicial Commissioners should also be excluded. The definition of the item as a whole

In Madras union boards are a pre-reform creation. Provision for their establishment was, in fact, made in the Madras Local Boards Act, 1884 (Act V of 1884). Village panchayats are also a pre-reform creation, but provision for creating them was made in the Village Panchayat Act, 1920 (Act XV of 1920), which was passed after the issue of the Government of India resolution of 1918. Similarly, in Bombay, village panchayats are the creation of the Bombay Act IX of 1920. The Bengal union boards are now governed by the Bengal Village Self-Government Act, 1919, (V of 1919), which amended Act III of 1885. In the United Provinces village panchayats are governed by Act VI of 1920, and in the Punjab by Act III of 1921—a post-reform measure. In Bihar and Orissa the new union boards come under the Bihar and Orissa Village Administration Act of 1922, which amended the Bengal Local Self-Government Act of 1885. In the Central Provinces provision for the creation of village panchayats was made by the Village Panchayats Act of 1920, while the Act which regulates their creation, powers and functions in Assam is the Assam Rural Self-Government Act of 1926, which amended the Assam Local Self-Government Act of 1915.

Composition.—The effect of the Madras Local Boards Act, 1920 (Act XIV of 1920), on the composition of union boards was that the number of elected members of union boards was fixed at a minimum of $\frac{3}{4}$ ths; the president was made elective, and the board was given power to appoint standing and other committees. The village panchayats established under Act XV of 1920 in this presidency are elected in the manner prescribed by the local Government and the president is elected by the panchayats. In Bombay, also, the members of village panchayats are elected, the only *ex-officio* member being the local revenue Patel. The office of president is elective. The Bengal Village Self-Government Act of 1919 did not alter the legal provision made in this behalf in the earlier Act of 1885. The practice, however, of the post-reform Government has been to increase the number of elected members. The chairman is elected and the election is not subject to the approval of the district board. In the United Provinces the members of a village panchayat as well as the sarpanch are appointed by the Collector of the district. In the Punjab both the members and the sarpanch are elected in accordance with rules made by the local Government. In Bihar and Orissa all members of the union boards and village panchayats are elected. The president of a union board is either elected by the members or appointed by the chairman of the district board, and, if he is a member of a panchayat he is himself sarpanch. Otherwise, the panchayat selects its own sarpanch. In the Central Provinces the members of village panchayats are partly elected. Every resident Mukadam (a village official) is *ex-officio* panch. The chairman is elected. In Assam, the village authorities and their chairmen are all elected.

The electorate.—In Madras every male person resident in the village who has completed his 25th year is entitled to vote. In Bombay, the

age of majority is 21 and there is an additional qualification which enforces residence in the village for 3 months before the publication of the voters' list. As in Madras, only men are eligible. In Bengal the restrictions as to sex and the age of majority are the same as in Bombay. In addition, an elector must be paying Re. 1 as cess. These qualifications are enforced in areas in which the Bengal Village Self-Government Act of 1919 operates. In areas where the older Act of 1885 is still in force, the payment of a road cess or a chankidari tax to a minimum amount of Re. 1 during the year preceding an election constitutes the fiscal qualification for eligibility as a voter. In the Punjab every male British subject or subject of an Indian State of sound mind and not less than 21 years of age residing in the village is entitled to vote, if he is a voter for a district board election or assessed to the chankidari tax. In Bihar and Orissa the age of majority is 18. The other qualifications are ownership or occupancy of a dwelling house within the union or panchayati circle, together with the payment of any sum as chankidari or union tax. This applies to areas in which the Village Chankidari Act of 1870 and the Chota Nagpur Rural Police Act of 1914 are in force. In other areas qualifications are prescribed by the local Government. In the Central Provinces the electorate is composed of all adult persons residing or holding property in the panchayati circle. In Assam, every male person of sound mind over the age of 25, who is a resident in the village is entitled to vote. Only the Central Provinces appear to allow non-purdanashin women to become voters. All the other provinces, as has been indicated, confine the franchise to males.

Qualifications of candidates.—In Madras all persons qualified as voters are eligible for election as panchayatdars. In Bombay, non-residence, conviction by a criminal court to a term of imprisonment exceeding 6 months, or removal from office on account of unfitness or persistent remissness in the discharge of duties during a period within 5 years from the date of election, constitute disqualifications from membership. In Bengal, Bihar and Orissa, and Assam, the qualifications for membership are identical with those prescribed for voters, except that in Bengal the person must also be able to read and write, in Bihar and Orissa he should not be less than 21 years of age and in Assam conviction or imprisonment for more than one month for an offence involving moral turpitude, or for bankruptcy or insolvency or requirement to furnish security for good behaviour are disqualifications. For union boards in Bengal the condition of literacy is not prescribed. In the Punjab one panch must be literate. All the others, provided they are not less than 25 years of age, must be either lambardars or sarbarahkars or persons who have paid not less than Rs. 5 as local rate on land of which they are recorded as owners, or who pay the district board not less than Rs. 10 per annum in the form of any other cess or rate or tax. Conviction for an offence implying a defect of character and insolvency constitute disqualifications. In the Central Provinces ownership of houses and proprietorship or tenancy of land are additional qualifications required of candidates. Also candidates must not be less than 21 years of age.

Dismissal from public service, conviction by a criminal court to imprisonment exceeding 6 months or the holding of a share or interest in contracts with or on behalf of panchayat are disqualifications.

The executive.—The executive is the panchayat itself. But in Madras officials of a union board are appointed by the president subject to rules made by the local Government. In Bombay, the sarpanch appoints all officials other than the secretary who is appointed by the panchayat.

Functions.—The functions of village panchayats and union boards are more or less similar to those entrusted to their larger prototypes in the rural as well as the urban sphere. Village communications, village lighting, village conservancy, village works of public utility, such as the sinking and repairing of wells, and village protection are their principal duties in Madras. The district or taluka board within whose jurisdiction the panchayat has been constituted may, at any time, with the panchayat's consent, delegate to it some of its own functions, of which the establishment and maintenance of elementary schools, and the provision of medical relief are the most important. The local Government may also, subject to conditions, transfer to a panchayat the management, protection and maintenance of village forests, or any village irrigation work. The Bombay Village Panchayat Act, 1920, makes similar provisions. In Bengal, union boards have the additional responsibility of securing the due performance by dafadars and chaukidars of the duties imposed upon them. The union committees appointed under the Bengal Act of 1884 are agents of and subject to the control of the district board, but the nature of their functions does not differ materially from that of other bodies of this class. In the United Provinces the local Government may also call upon a panchayat to assist officers of Government in the performance of their duties, and, to make local inquiries on the requisition of a magistrate or a revenue officer. Further, they have certain judicial functions. In the Punjab, the local Government may impose certain duties of police on village panchayats. In the Central Provinces the obligation to co-operate with the officers of Government is prescribed. In most provinces, provision for the delegation of functions to village authorities by the district boards, or, in some cases, also by officers of Government is made on the same lines as in the Madras law.

Powers of control of local Governments and their officials over village authorities.—The powers of control over union boards and panchayats vested in local Governments are generally similar to those enjoyed in respect of municipalities and rural boards. The main difference is that in some provinces a greater measure of control is vested in the district officer or commissioner. In all provinces the number of members constituting a panchayat, their method of election and the removal of disqualifications for membership are regulated by local Governments by rules or otherwise. Powers of suspension or abolition vest in the local Government in Madras, Bombay, the Punjab, Bihar and Orissa, Central Provinces, and Assam. In Bengal and the United Provinces, the commissioner and the district officer respectively can exercise this power.

Appointment and removal of servants is regulated by rules framed by the local Government in Madras, the United Provinces, and Assam. In the Punjab, only the election, suspension and removal of the panch and sarpanch are subject to rules made by the local Government. In Bombay the local Government only has power to hear appeals against reduction of the number or the emoluments of panchayat employees. In Bangal and Bihar and Orissa, such powers of control over establishment as are entrusted to an outside authority vest in the district officer. Powers of inspection and examination are retained in most provinces and entrusted either to special officers or to the district magistrate or the divisional commissioner; Bombay is the only exception. Local Governments also have powers to make rules to regulate such matters as the transfer of functions to these bodies, the preparation and submission of budgets, audit of accounts, procedure for the conduct of meetings. Assessment and collection of such taxes as these village institutions are permitted to levy under the law is also subject, in most provinces, to Government rules or to Government approval.

D.—REPRESENTATION OF MINORITIES.

The provision made by the various local Governments for the representation of minorities or classes of the community, whether by nomination or by the creation of separate electorates, is summarised in the following statement. In Bombay and the United Provinces provision exists for the separate election of Muhammadans to both municipal and district boards. In Assam such provision is confined to local or district boards, and does not extend to municipalities. In the Punjab the local Government can prescribe the number of representatives of each class in municipalities. Provision also exists for the separate representation of Muhammadans in the Calcutta Corporation. In Madras, the Central Provinces, Bihār and Orissa and Bengal excluding Calcutta, the representation of minorities is secured by nomination. On the Rangoon corporation the proportion of members of each community or interest is fixed.

Statement showing means of representation of minority communities on municipal and rural boards in different provinces.

Madras city	Representation of Muhammadans and other minorities is secured by nomination.	Section 5 (f) of Madras City Municipal Act, 1919, as amended upto date.
Madras district municipalities.	Ditto	Section 7 (3) of Madras District Municipalities Act, 1920, as amended upto date.
Madras local boards	Ditto	Section 9 (5) of Madras Local Boards Act, 1920, as amended upto date.

Statement showing means of representation of minority communities on municipal and rural boards in different provinces—contd.

Bombay city . . .	There are no separate special constituencies for representation of Muhammadans and other minority communities. Inequalities of representation are corrected by nomination.	....
Bombay district municipalities.	Governor in Council prescribes by rules the number to be elected <i>inter alia</i> by sections of inhabitants. Model rules provide for separate election by Muhammadan and non-Muhammadan wards.	Section 11 (c) (ii) of Bombay District Municipalities Act, 1901, as amended upto date.
Bombay city municipalities (major towns).	Government has power to make rules prescribing the number of wards to be constituted for Muhammadans, non-Muhammadans and depressed classes in each Municipal borough and the number of councillors to be elected by each.	Section 10 (1) (c) of Bombay City Municipalities Act, 1925.
Bombay local boards .	Government has power to secure by nomination representation of depressed classes if and where necessary. Rules provide for separate election by general and Muhammadan constituencies.	Section 5 (4) of Bombay Local Boards Act, 1923, as amended upto date.
Calcutta	The local Government is competent to appoint councillors to secure representation of <i>minorities</i> including <i>backward and labouring</i> classes. The law also provides for separate representation of Muhammadans by election.	Section 5 (b) (ii) of Calcutta Municipal Act, 1923, as amended upto date and schedules III and IV.
Bengal district municipalities.	Representation of Muhammadans and other special communities on local bodies is secured by nomination.	....
Bengal local and district boards.		
United Provinces municipalities.	The local Government makes provision by rule for the special representation of classes of the community such as Muslims and non-Muslims.	Section 11 (1) (b) of United Provinces Municipalities Act, 1916, as amended upto date.
United Provinces district boards.	Proportion of elected members to be elected by Muslim electorates is laid down by law.	Sections 4 and 5 of United Provinces District Boards Act, 1922, as amended upto date.
Punjab municipalities	The local Government has power to prescribe by rule the number of representatives of each ward or class.	Sections 12 and 240 (1) (c) of Punjab Municipalities Act, 1911, as amended upto date.
Punjab district boards	The mode of appointment or election of members is determined by rules made by the local Government.	Sections 11 and 55 (1) (d) of the Punjab District Boards Act, 1884, as amended upto date.

Statement showing means of representation of minority communities on municipal and rural boards in different provinces—concl'd.

Rangoon municipality	There is a fixed proportion of members of each community and interest.	Section 7 and Schedule I, Chapter I, Rangoon Municipal Act, 1922, as amended upto date.
Burma municipalities	The local Government has power to determine the number of members and manner of their election, so as to provide, among other things, for the representation of classes of inhabitants.	Sections 7 and 8 of Burma Municipal Act, 1898, as amended upto date.
Burma district councils and circle boards.	There is no specific provision in law for the representation of Muhammadans and other communities, but rules provide for separate representation of different communities. It is possible for such classes to be represented by nomination.	Section 7 of Burma Rural Self-Government Act, 1921, as amended upto date.
Bihar and Orissa municipalities.	Representation of minorities and special interests is secured by appointments made by local Government as far as possible.	Section 13 (1) (b) of Bihar and Orissa Municipal Act, 1922, and section 8 (2) (a) of Bihar and Orissa Local Self-Government Act, 1923, as amended upto date.
Bihar and Orissa district boards.		
Central Provinces municipalities.	Local Government has power to make rules regulating the mode of election, selection and nomination of members. But there are no separate electorates or reservation of seats for Muhammadans or minority communities on municipalities or rural boards. Deficiency in the representation of minorities is made up by nomination.	Section 10 (4) of Central Provinces Municipalities Act, 1922, as amended upto date.
Central Provinces district councils and local boards.		Section 79 (1) (iii) of Central Provinces Local Self-Government Act, 1920, as amended upto date.
Assam municipalities.	Elected members are elected by joint electorate of all communities. Government may correct inequalities by nomination.	Section 296 (2) (1) of Assam Municipal Act, 1923, as amended upto date.
Assam local boards.	Muhammadans and non-Muhammadans form separate electorates. Rules require that claims of castes, communities and interests not adequately represented by elected members should be taken into consideration in appointing nominated members.	Section 4 (2) of Assam Local Self-Government Act, 1915, as amended upto date.

PART III.—WORKING OF LOCAL BODIES.

The following account of the working of representative institutions in the sphere of local self-government is based mainly on annual reports issued by provinces, and on special reports submitted to the Government of India in 1923, 1924 and 1927. It does not pretend to be complete, or to be founded on first hand observation.

A.—MUNICIPALITIES.

In *Madras* two factors are said to have affected local self-government during the quinquennium ending 1926. The first was the increase of non-official membership and control; the second finance. The first factor is reported to have resulted in a quickening of civic consciousness. The electorate showed this in a steady increase of the percentage of voters who cast their votes in contested elections. In 1920-21 the figure was 58·3 per cent., in 1925-26, the percentage was 60 or above in 64 municipalities. The financial feature of the period was the prevalence of high prices which restricted both the scope of municipal activity and the ability of the local Government to enlarge the measure of their financial assistance. Nevertheless steady, if not striking, progress was made in the domain of medical relief and education. The number of municipal hospitals and dispensaries rose from 94 in 1920-21 to 101 in 1925-26, the number of out-patients treated at these institutions from 1,887,897 to 2,150,802. There was also increase in the number of midwives maintained for maternity work. The number of boys in elementary schools rose in the same period from 48,039 to 74,870; of girls from 16,490 to 28,218. The number of schools maintained for depressed classes or in their interest increased from 160 to 192. By 1924-25, 11 municipalities had taken up the question of town-planning. Incidence of taxation per head of population living within municipalities showed an increase within the period, and ordinary receipts exceeded ordinary expenditure. The main complaints were that the general percentage of the revenue collected to the demand was deteriorating, that municipal accounts were not being properly kept, and that resort to fresh taxation to improve the amenities of civic life was a duty which few boards cared to face.

Like *Madras*, *Bombay* reports a growth of civic consciousness. Interest in elections increased; attendance of members at meetings was satisfactory. Men whose one object is promotion of the public weal are said to be coming forward to play their part in civic affairs. Two branches of administration, education and public health, which profoundly affect the life of the community, evoked both interest and endeavour. Expenditure on education increased from 30 to 43 lacs; on public health and cognate conveniences such as drainage, water works, etc., from 70 lacs, to 1·1 crores. Even smaller municipalities showed a tendency to push on with schemes of drainage and water supply. The larger municipalities, such as Karachi or Ahmedabad, financed big projects of this nature by means of loans raised in the open

market, at a reasonable rate of interest, viz., 5 per cent. per annum. They also did not hesitate to resort to additional taxation for the service of these loans. For primary education, some municipalities raised more money by taxes. The incidence of taxation increased from Rs. 3-11-5 in 1920-21 to Rs. 5-7-6 in 1924-25, and the yearly revenue proved adequate to meet existing standards of expenditure. The main defects of financial administration were reported to be neglect and delay in the disposal of audit notes, and faulty and perfunctory collection of revenue. Thus arrears of revenue which aggregated Rs. 2-96 laes in 7 municipalities in 1916-17 rose to 11-37 laes in 64 municipalities in 1924-25. The defect of financial policy is said to be reluctance to resort to additional taxation which is vital to the improvement of civic amenities.

The psychological faults of the electorate are reported to be loyalty to caste rather than conviction, and allegiance to caprice rather than reason. Members of committees are said to have been swayed no less by considerations of community and caste, principally in Sind and in the Deccan. Votes are stated to have been cast at elections for caste candidates. Members of committees, it is said, favour men belonging to a particular community for appointments, and are liable to be partial to them after appointment if things go wrong. The example is given of eleven school boards where teachers were selected not for competence but because they belonged to a particular community.

In the *United Provinces*, according to the Governor in Council, there has been marked deterioration in municipal administration. In some municipalities, it is said, meetings are called to discuss matters of comparatively trivial import, and adjournments are numerous owing to prolixity of debate. The spirit of caste and communal or political partisanship is often prominent. Hindu and Muslim cliques are not unknown. Roads maintained by municipalities are reported to have progressively deteriorated. The water supply was in a precarious condition in many areas. Bad organisation of the sanitary staff was, it is reported, reflected in defective sanitary administration in several places. Education alone is said to have roused interest and activity.

Financially, 1925-26 marked an improvement. During the years immediately preceding, the tendency was for recurring expenditure to outstrip recurring income; the excess was met from balances. Direct taxation has not grown in popularity. There is said to be a tendency to revert to octroi. Accounts were only tolerably kept. The percentage of collections, though slightly improving, only touched 79-93, and was lower than in either Bengal or Bihar and Orissa. The record of the larger municipalities is described as "not unencouraging".

There have been two elections since the inception of the reforms. Both are reported to have been keenly contested. The general election of 1922 was fought on political lines because the Swarajists made a bid to capture the municipalities. In 1925 the elections turned largely on communal and personal issues.

In *Bengal* municipalities outside Calcutta seem to have taken great interest in public health. The question of improving the water supply received attention. Preventive measures to check the spread of epidemic diseases, of which cholera and malaria are the more formidable, were a common feature of municipal administration. Municipalities are reported to be beginning to utilise their power under the Food Adulteration Act, to have foodstuffs like ghee and milk examined in order to ensure a pure supply of these articles. In the history of administration, there is little else of special importance to record. The incidence of taxation showed a steady increase, from Rs. 2-11-7 in 1920-21 to Rs. 3-1-5 in 1925-26. But the increase is said to be inadequate to meet the demands of a policy of real civic development. For this, fresh taxation is required; and municipalities in Bengal are said to be no more eager than municipal bodies elsewhere in India to face the task. The tendency to treat audit notes with indifference extends also to this presidency. According to the Bengal report for 1925-26 replies to 9 references made by the audit department were received after a year; while in 77 cases the period was six months. The percentage of collection to demand is described as low; though an average of over 90, which is typical of the province, will be treated as high in other parts of India.

Elections are said to have aroused interest. The annual reports speak of a high percentage of voters going to the polls. Thus in 1923-24 in Kalna town 75 per cent. of the electors voted; in 1924-25, the attendance in one town was 80 per cent.; in 1925-26, North Barrackpore recorded the remarkable figure of 85 per cent. It is reported that in Bengal unsuccessful candidates frequently resort to civil courts and take out injunctions against their successful rivals. The result is interference with municipal administration. Not a small proportion of meetings—the figure varies, but was as high as nearly 1 in 8 in 1924-25—fail for want of a quorum.

In the *Punjab*, also, the figures reflect a growing interest in elections on the part of the electorate. Thus in 1923-24, elections were held in 27 municipalities, 61 per cent. of the seats were contested and 50 per cent. of the registered votes were polled. In 1924-25, 418 seats out of 270 were contested and in one municipality, *viz.*, Kasur, 80 per cent. of the electors voted. In 1925-26 general elections were held in 16 municipalities, and about 70 per cent. of the electorate participated. But the expansion of representative institutions is reported to have given new scope and direction to communal activity. Municipalities have not escaped the influence of communalism. The redistribution of seats among communities according to their population as modified by their voting strength adversely affected Hindu and Sikh representation, and caused resentment among both these communities. The removal of official control from within is stated to have widened the arena for the clash of communal rivalry and party factions. This has not been without its effect on administration, which, it is said, has suffered, especially by the elimination of Hindu members with long experience in municipal affairs. But there were also municipalities which were

free from these unfortunate influences, which worked only for civic good, and in which the withdrawal of official control only had the effect of stimulating the interest of the non-officials. In 1924-25, the attendance of members was reported to have been satisfactory. Lahore and Amritsar are said to have shown originality and initiative in the conduct of affairs. Both maintained night-classes for labourers, and Amritsar started a campaign of education in hygiene for the populace. Mooltan introduced compulsory primary education and other municipalities followed suit. Expenditure on public health had increased from 48.65 lacs in 1920-21 to 73.13 lacs in 1923-24. Schemes of drainage, water works and electrification were receiving attention. Municipal accounts, however, were said to be defective, and the management of municipal properties not sufficiently organised or energetic to make the properties properly remunerative.

The reports from *Bihar and Orissa* also speak of deterioration. This is attributed directly to action taken in the spirit of the reforms. The withdrawal of internal official control from boards is said to have been one of the responsible factors; the hold which the non-co-operation movement acquired over the province the other. The inexperience and ignorance of the increased electorate is reported to have provided non-co-operators with their opportunity. The result is said to have been defiance, in many cases, of Government. Centralisation of Government control is described as having made interference difficult. Local officials have only advisory functions, and their advice, it is said, was often disregarded. The ultimate dependence of the minister on the politically minded is said to have weakened the effectiveness for practical purposes, of his powers of control. The disturbing influence, it is said, is not confined to the political factor. Even in fairly well-administered boards, caste and communal rivalry are considered to have baneful play. The electorate is regarded as being, on the whole, apathetic; and to be responsive primarily to the appeal of communalism.

Concrete examples of a fall in the level of administrative efficiency are stated to be unsatisfactory assessment and collection of revenues, a high percentage of remissions, slack supervision over the staff, neglect of conservancy and roads. In 1925-26 the liabilities of 10 municipalities are reported to have exceeded assets owing wholly, or in part, to the failure of the administration to collect their dues. In 1922-23, cases of misappropriation of public money were discovered in 6 municipalities.

The inclination to resort to new taxation, or even to raise rates of taxation now in force to the statutory maxima, is said to be absent; and continued stagnation is predicted as the inevitable result of financial timidity and inertia.

In the *Central Provinces* the widening of the electorate is said to have stimulated interest in municipal elections. For instance, the reconstitution of 8 municipalities under the Act of 1922 brought a large number of electors to the polls. The attendance of voters is said to have averaged

50 per cent. A similar stimulus might be said to have been supplied by the policy of emancipating committees from internal official control which was started earlier. Some committees were not free from political bias, but, on the whole, politics did not appreciably influence the policy or administration of municipal bodies. Relations with the officials of Government remained friendly. Education and public health claimed the attention of the popular element, and some municipalities are reported to have introduced compulsory primary education, and to have assumed control of public dispensaries. They have also shown a desire to take charge of their own water and other public works. Generally they are described as not being averse or indifferent to schemes of development. The real obstacle to expansion would appear to be the narrow difference between income and expenditure which has not always been on the credit side. The impact of the more democratic constitution of the boards on the administration is reported to have affected efficiency by making the exercise of authority over the staff less impartial, and the collection of demand less effective and prompt.

The *Assam* reports pay tribute to the interest taken by municipal commissioners in the work. Average attendance at meetings was well over 50 per cent. Party feeling hampered administration in some places, but instances of this are said to have been rare. The defects of administration were said to consist in slack supervision, indifferent observance of account rules, delay in disposal of audit notes. Finance is described as the most formidable bar to progress. In 1920-21, the financial position of most boards was said to have been unsound. In 1925-26, the income was 9·5 lacs, and expenditure 9·25 lacs. The change was not sufficient to justify an access of optimism. The need for resort to increased taxation is, therefore, frequently emphasised in the annual reports. Without fresh taxation, it is pointed out, essential civic requirements, such as improved conservancy, better water supply, more effective lighting, or a wide dissemination of elementary education cannot be satisfied.

B.—RURAL BOARDS.

Madras.—In Madras Presidency, education and Public Health are reported to have claimed special attention from district and taluk boards during the period 1920-21 to 1924-25. Both elementary and secondary schools showed a steady increase in numbers and enrolment. The number of elementary schools for boys and girls rose from 8,240 to 10,947, that of secondary schools from 115 to 163. The corresponding increase in the number of pupils was 185,000 and 10,000 respectively. The chief event in the history of public health administration was the introduction, with government aid, of a complete and self-contained sanitary staff in each district which is stated to have worked with sustained energy. The boards also maintained a number of hospitals and dispensaries—the figure was 415 in 1924-25—which treated, on an average, over 4 million out-patients in a year. The boards maintained more than 25 thousand miles of roads at a cost, which in 1924-25 amounted

to Rs. 103·81 lakhs. The financial position of these bodies, however, is said to have been unsatisfactory except towards the end of the period under review, expenditure having been in excess of receipts. In 1923-24, income exceeded expenditure, and 1924-25 was a year of equilibrium. Audit reports are stated to have disclosed an unsatisfactory state of affairs in some boards. Generally the record of administration would appear to have been one of steady and useful progress.

The following figures showing the percentage of votes polled in circles or wards where elections were contested may be of interest. They show, on the whole, a steady increase during the last 3 years in the proportion of electors actually taking part in contested elections :—

Year.	Taluk boards.	Union boards (or Panchayats).
1920-21	32·03	37·04
1921-22	33·17	29·19
1922-23	35·7	38·5
1923-24	29·9	31·8
1924-25	44·1	48·1
1925-26	52·1	50·4

NOTE.—Election to district boards is made from among the members of taluk boards.

Bombay.—The Bombay reports notice with gratification the keen interest shown in their duties by the non-official presidents and vice-presidents of district boards. The attitude of ordinary members is said to have been less encouraging and that of the electorate variable. The 1925-26 report states that in some districts the interest shown was keen; in others the elections were run on communal lines. Work is reported to have been carried on satisfactorily, on the whole; but the reluctance of these bodies to utilise their existing financial resources and powers of taxation with enterprise and courage is adversely commented on. The tendency to meet capital expenditure on road construction out of revenue is cited as an instance of lack of enterprise; the unwillingness to use the powers of taxation conferred by the Local Boards Act of 1923 as an example of want of courage. The consequent inelasticity of revenues is made the basis of the comment that without an active determination to enlarge revenues, progress in the domain of rural self-government in the sense of improvement of the amenities of life, *e.g.*, provision of better roads, better sanitation, and of better schools need not be looked for. The increase in expenditure during the quinquennium is reported to have just sufficed to give teachers an increased wage, and to meet the higher cost of material and labour

required for public works. The increase in revenue, whether derived from taxes or from government grants, which has enabled boards to meet the rise in expenditure has evidently left no margin for expansion.

Bengal.—The Bengal reports also pay tribute to the keen interest, sense of duty and good work of non-official chairmen of district boards and of their colleagues generally. The liberalisation of these bodies is reported to have increased their popularity by enlarging the field of service open to public spirited non-officials. Special attention is said to have been devoted to the expansion of medical relief, the improvement of the water supply, and the encouragement of primary education. In the domain of public health, the record of progress shows an increase in the number of dispensaries, the formation of anti-malaria societies, the inauguration of an active campaign against Kala Azar, the dissemination of simple precautionary information about cholera, and the distribution of medicines and disinfectants during outbreaks of the disease, the subsidising of private doctors to settle in rural areas. Appreciation of the need of improving the water supply is stated to be widespread, and efforts made in this direction are evidenced by the increase in expenditure on maintenance and new works from 5.8 lakhs in 1920-21 to 9.9 lakhs in 1924-25, most of the money being provided by government. The number of schools is reported to have risen in the same period from 37,871 to 41,490. Vocational and technical education is also said to have claimed attention. For instance, Mymensing maintained a school for specialising in bamboo work; and there were technical schools at Midnapore and Khulna. The main complaint, which is not peculiar to Bengal, is of the inadequacy of the existing revenue to provide for the growing needs of a population of 42 millions scattered over 70,000 square miles, and of the reluctance of local bodies either to raise loans or to utilise their powers of taxation. For instance, in 1919, a conference of representatives of district boards is reported to have been opposed to increasing the cess.

United Provinces.—Until 1st February 1923, when the new District Boards Act came into force, district boards in the United Provinces were governed by the Act of 1906. The popular complaint against the older boards was that they were too much under official control. The tahsil committees appointed by the boards were considered to be of little value. According to the Commissioner of Fyzabad, it was difficult to infuse any enthusiasm and sense of responsibility into them, partly owing to the fact that literate members could not easily be found. The record of the old boards was described as one of substantial achievement. They had expanded facilities for education, organised medical relief, created veterinary departments for the care of cattle in rural areas, and paid careful attention to such minor, but, to the villager, important matters as pounds, ferries and road-side arboriculture. In the sphere of sanitation they had not made much headway; since 1920-21 reports on the condition of metalled roads had become gloomy, and the financial condition of most boards was said to be discouraging. In 1920-21 all boards showed deficits on a comparison of normal receipts and expendi-

ture. In 1921-22 aggregate expenditure was in excess of the aggregate income and boards met the deficit from accumulated balances. The new boards which came into being on a wider franchise, with a larger non-official membership and under non-official chairman were heirs to this cramping heritage, though the law gave them power to levy a tax on circumstances and property. According to the report for 1924-25. only one district board had made use of this power. Elsewhere the two sources of revenue namely Government grants and the land cess were not added to, but expenditure was kept below the income. Objectively the new boards are reported to have shown no advance on the old. Administration is reported to have been carried on in tolerable fashion. Primary education received more interest. The control of local metalled roads was taken over by the boards from the Public Works Department. Two districts were brought under the operation of the District Health Scheme which aims at providing a local organisation for grappling with local health problems. The only notable features are said to have been an increase in the attendance of non-official members, more meetings and, in some cases, longer and less fruitful debates, and a tendency to interfere in details which is said to handicap the boards' executive officials. The new non-official chairmen are stated to have maintained their authority and the majority of boards did not let extraneous political issues distract their proper business. According to the report for 1925-26. the elections, in most cases, were keenly contested.

Punjab.—In the Punjab de-officialisation has, so far, taken the form of an increase of elected members; only two district boards have asked permission to *elect* their chairman. Communal antagonism and suspicion which are reported to have marred the history of local self-government in this province might partially explain this phenomenon. But the reconstitution of these bodies with a larger elected element is reported to have increased public interest in their activities. Most boards meet regularly once a month, and the practice of appointing sub-committees for expeditious despatch of business is extending. Boards have not been slow to raise local rates to the maximum permitted: in 1924-25 all except two had done so. Some boards have also introduced a tax on profession or *haisiyat*. But the income from these sources, though it has increased, has not grown sufficiently to meet the expanding wants of the community or the demands of progress. The local Government are reported to be contemplating a policy of assistance for improving medical relief in rural areas, and for stimulating the communications of the province. This has already been done in the domain of elementary education, expenditure on which rose from 44.41 lacs in 1920-21 to 62.18 lacs in 1924-25. Enthusiasm among boards for educational progress is said to be marked. The number of students has increased and has been balanced by an increase in the number of teachers. But though one or two districts have shown keenness and made interesting experiments, generally facilities for medical relief are stated to have made little headway. Reports commend the energy of non-official chairmen and condemn the many instances of

embezzlements and irregularities by district board employees disclosed by audit.

Bihar and Orissa.—In Bihar and Orissa public health and elementary education are reported to have absorbed the interest of district boards. Gaya had an intensive sanitation scheme in operation which aimed at reducing mortality in a limited area by the employment of a large medical staff. The recommendation of the Legislative Council to establish one dispensary in the area included within the jurisdiction of each police station was adopted as an ideal, and endeavour was made to work up to it. In 1924-25 the number of these institutions maintained by district boards had risen to 319. In 1920-21 the number was only 178. In some districts sanitary officers imparted elementary instruction in hygiene to villagers and advised them how to take simple precautionary measures during epidemics. The report for 1924-25 speaks of prompt measures taken to combat an outbreak of cholera. Expenditure on education had risen during the same period from 18.95 to 29.21 lakhs. The increase was due to both improvement of the salaries of teachers and increase in the number of schools. In Saran free primary education was in force in all schools. Most boards continued to award scholarships for medical, engineering and other technical education. In the domain of public works, increase of expenditure barely kept pace with the rise in price of material. The enlargement of the unofficial element in, and of unofficial control over, district boards did not affect the regularity of meetings. Most boards met with the frequency prescribed by law, but debates showed a tendency to become protracted. The average attendance of non-official members was described in the 1921-25 report as high, and as indicative of lively interest in their duties. In the Tirhut and Orissa divisions, and in certain districts outside those divisions, the capture of boards by non-co-operators is said to have resulted in the subordination of administration to politics, but, according to the latest report, in some of these areas the electorate had been alienated by the results of this tendency. More common defects are said to be interference with employees, and neglect of expert advice. But the chief obstacle to advancement of amenities and standards is said to be the state of the finances. For, apart from Government grants, the income tends to remain stationary, and the capacity of Government to make grants is limited.

Central Provinces.—In the Central Provinces, where like Assam, Government contributes nearly half the revenue of district councils, the need for fresh taxation as constituting the condition precedent to progress is emphasised. According to the latest available report the wide powers of taxation conferred by the Local Self-Government Act of 1922 were beginning to be exercised. Nagpur had imposed a cess on the ginning and pressing of cotton. Damoh was levying an additional cess on land. In Berar, a special school rate was in force. District councils were assuming control of dispensaries and Government had transferred to a number of boards the duty of maintaining public works situated within their jurisdiction. The results of the experiment were said to be con-

flicting. Some district councils had risen equal to the responsibility ; some had failed. There was complaint of lack of proper organisation to discharge the responsibilities connected with public works. Expenditure on education had risen steadily from 1920-21, and in 1924-25 amounted to 25·49 out of a total expenditure of 65·39 lakhs ; but the result measured in terms of increase of pupils was considered to be unsatisfactory. The keeping of accounts temporarily deteriorated but was reported to have improved. The need to give the servants of district councils security of tenure and, generally, to define their conditions of service was emphasised. Attendance of non-official members of district councils rose from 32 per cent. to 54 per cent. under the more popular constitution established by the Act of 1922 ; but the interest shown by the electorate is stated to have been feeble. Relations between district councils and district officers are reported to have remained cordial throughout the period under review.

Assam.—Assam reported the same absence of advance owing to inelastic finances. The policy of placing district boards on a popular basis was steadily followed. The prescribed number of meetings was held by the majority of boards. According to the provincial report for 1922-23, the non-official chairmen generally proved to be wise and careful administrators, and equal to their duties. Though the first results of the enlarging of the non-official element and the reduction of official control were said to be impatience of official control and the growth of factions, the last report speaks of a dawning realisation of responsibility. The 1924-25 report spoke of useful work that was on the whole accomplished. But the main conclusion was that with their existing income, more than half of which consisted of grants made by the provincial Government, the boards were finding it difficult even to maintain present standards, and that advance was impossible without resort to fresh taxation. And, as in other provinces, popular control is said to have reduced the strictness of supervision over accounts, and to have increased the reluctance to treat with severity subordinates found to be guilty of fraud.

C.—VILLAGE AUTHORITIES.

Reports on the working of the smallest units of rural local self-government are not complete. Such accounts as are available show a chequered history. In Bombay village panchayats were reported in 1923-24 to have proved a failure. The main causes of failure were said to be the unpopularity of direct taxation, the reluctance of candidates to stand for election, the inexperience of those elected, the inadequacy of funds, and the want of power to deal with petty civil and criminal cases. The general verdict was that the villagers viewed with apathy these institutions which could only be regarded as being in advance of public opinion. In Bengal, on the other hand, village self-government is reported to have shown vitality and done useful service in spite of the opposition which village committees received at the hands

of non-co-operators. The extension of medical relief, elementary education and the provision of a wholesome water supply are stated to have engaged attention. The measure of their utility would appear to have been limited mainly owing to straitened finances—in 1924-25 only a sum of Rs. 4 lakhs is said to have been available for expenditure on communications, water supply, etc.—and in some instances by reason of the existence of factions and of party strife. The reluctance to raise revenue by resort to fresh taxation was not less marked in Bengal. In Bihar and Orissa, union boards formed under the provincial Village Administration Act of 1922 were gradually replacing the union committees formed under the Bengal Local Self-Government Act. The new bodies have larger powers and responsibilities. But the 1924-25 report presented a disappointing picture. Office-bearers were said to have evinced little interest, an complaint was made of the want of public spirit, of aversion to taxation, and of dissensions and party feeling. In Assam, village authorities were reported in 1923-24 to have done useful work in the judicial sphere but to have proved disappointing in other respects. Outside the judicial sphere, the record of panchayats in the Punjab does not show interesting endeavour or achievement; and reluctance to impose taxation is marked. The United Provinces reports speak of extraordinary diversity of opinion regarding the value of village panchayats. These bodies have been created primarily to deal with petty litigation and rural sanitation. The number of cases dealt with by panchayats is said to have steadily increased, but the principal benefit is considered to have been not diminution of the volume of litigation in the ordinary courts but reduction of the cost of litigation in cases of local indebtedness with consequent reduction of the local rates of interest. In regard to village sanitation, opinion about the work done by panchayats is said to be divided. Progress would appear to be slow, though not devoid of promise.

D.—LOCAL BODIES AND NON-CO-OPERATION.

The effect of the non-co-operation movement on local bodies varied in different provinces, both in its nature and duration, and may now be said to be defunct in most, and on the wane elsewhere.

Madras.—In Madras there were resignations from one or two municipalities, but, broadly speaking, local bodies were not included in the ban against institutions created by or drawing their authority from Government. In Madras attempts are said to have been made in some places to prevent payment of municipal taxes, and resolutions favouring prohibition and the use of khaddar were passed. "National education" of the type favoured by Mr. Gandhi and his followers evidently found support in some quarters. The renaming of streets after leaders of the nationalist movement, and proposals to present addresses of welcome to them are reported to have been the other manifestations of the influence of this movement. The local Government abolished one municipal council and temporarily superseded another. The provincial Legislative Council also passed a law requiring councillors to take an

oath of allegiance before they could take their seats. Government sought to combat the movement for non-payment of taxes by exempting cattle and municipal land from taxation. The verdict of the Madras Government is that, on the whole, the movement had little effect on the course of local self-Government in the presidency.

Bombay.—In Bombay, the effect of the movement on local self-Government was localised and not pronounced. Generally, municipalities are stated to have evinced a desire to seek the help of Government and its officers, especially in educational matters. But some towns felt the shock of the first onset. For instance, in Nadiad, 11 members of the municipal council including the chairman and vice-chairman resigned from the municipality. Ahmedabad and Surat had to be superseded for 2 and 3 years respectively owing to persistent default in respect of maintaining primary schools according to the requirements of the Bombay District Municipalities Act. No such striking instances of deliberate breach of the law by local boards are reported. Non-co-operators are said to have been even less successful in their attempt to capture district boards, though at Bardoli, in the elections held in 1920-21, pressure is said to have been used by them to prevent voters from voting.

Bengal.—In Bengal, the Swarajists captured the majority of seats in the Calcutta elections, and are reported to have established a dictatorship of which the main feature is described as the subordination of civic administration to political and party ends. Except primary education, no aspect of civic activity is considered to have received impartial attention. Refusal to allow recovery of arrears of taxes by distraint from notable supporters of the Swaraj party is cited as an example of partisanship. In the rural field, Swarajist opposition to local self-governing institutions is stated to have been directed against the application of the Village Self-Government Act, 1919. The object of this act, which was to develop the formation of units of Village Self-Government, is described as having been misrepresented as an insidious attempt to impose fresh taxation; and in 1921, the law had to be actually withdrawn from 227 recently constituted union boards in Midnapore district. But, with this exception, and that provided by Calcutta, the non-co-operation movement is said to have produced no distinctive effect on the method or spirit of local self-government.

United Provinces.—The United Provinces reports chronicle nothing of note on the subject, beyond the success secured by non-co-operators in the municipal elections of 1923. In the district boards, which are described as the natural field of the landlords, their success was inconspicuous. In the case of neither class of local body did their presence produce any destructive results. Instead of wrecking these institutions, they tried, though not always with success, to improve on the work of their predecessors.

Central Provinces.—In the Central Provinces their record in electoral contests was more or less similar. Their advent to office was, in some

cases, marked by political demonstrations, e.g., the flying of national flags, the picketing of liquor shops, and the support of national schools. But this phase is said to have been short-lived and the general verdict is that the municipalities in which non-co-operators were in the majority differed but little from other municipalities.

Punjab and Assam.—On local bodies in the Punjab and Assam, the non-co-operation movement would appear to have made no impression.

Bihar and Orissa.—In Bihar and Orissa, the municipalities of Bhagalpur and Gaya and the district board of Monghyr are reported to have suffered maladministration as a result of the impact of the movement. Encouragement of the weaving and wearing of khaddar, utilisation of primary schools as channels for Swarajist propaganda, attempts to subordinate administration to the dictates of outside political bodies like the district Congress committees, are mentioned as overt manifestations of the Swarajist régime in areas where Swarajists had secured a majority on local bodies. But a few individual instances, e.g., that of Samastipur, of administrative efficiency, and freedom from party eccentricities are also cited.

E.—LEGISLATIVE COUNCILS AND LOCAL SELF-GOVERNMENT.

In Madras the reformed Legislative Council had to deal with one measure which, in the atmosphere of the early days of non-co-operation, must have been regarded as contentious, and which the popular element might have looked upon as providing an embarrassing test of their sense of responsibility. This was the bill to amend the District Municipalities and Local Boards Act in order to require members of these bodies to make the oath or affirmation of allegiance to the Crown. The bill was introduced by government and was passed. The other important government measure adopted by the Council was a law authorising local bodies to impose a tax on entertainments. Private Bills dealing with the raising of the rate of tolls levied on carts, the diversion of accumulations of the railway cess to the construction of roads and bridges and the protection of the rights of the lower castes to use public highways and markets maintained by local boards were passed.

The Bengal reports reveal a chequered story. The Council is said to have viewed the legislation to democratise the constitution of the corporation of Calcutta with benevolence, though a controversy arose over the question of communal electorates and of cow-killing. On the other hand, leave to introduce a bill to amend the Bengal Municipal Act of 1884, which had been prepared by the late Sir Surendra Nath Banerji—the minister who was responsible for the Calcutta Municipal Act, 1923—was refused. This is attributed to three causes: (1) the fear of disunion among Swarajists over the question of communal representation, (2) reluctance of a section of the Council to face the prospect of fresh taxation, and (3) a desire to thwart government.

Several attempts were made by a few private members to get the Bengal Village Self-Government Act, 1919, amended, but without

success. Members are reported to have shown a tendency to ask questions suggesting interference with the statutory powers of local boards, but such questions are said to have been disallowed.

In the United Provinces the taxation provisions of the bill to amend the District Boards Act, which became law in 1922, is reported to have encountered opposition from the land-lords. The apportionment of Muhammadan representation on local boards is also said to have caused difficulty. The most notable private bill which has become law provides for the resignation of the chairman of a municipal board, if the majority of the board pass a vote of no-confidence in him and confirm the verdict by a second resolution calling on him to resign. In case of failure to tender his resignation in such circumstances, the Act empowers Government to remove the chairman.

The proceedings of the Punjab Legislative Council relating to local self-government are reported to bear a communal impress. A substantial part of the questions asked dealt with the respective claims of Hindus, Muhammadans and Sikhs to appointments under local bodies. A bill to validate the imposition of a terminal tax in Lahore was made the occasion for attacking the ministry on the question of the representation of Hindus on the Lahore municipality. A recent Government measure, which seeks to create the appointment of Executive Officer in municipalities, has come in for strong criticism on the ground that it will curtail the power of municipal committees. The main resolutions moved in the Legislative Council on matters relating to local self-government either recommended the provision by Government of funds for certain purposes, *e.g.*, the extension of primary education, or urged action by local bodies to extend civic amenities.

The Bihar and Orissa Legislative Council had to deal with the three principal legislative measures of the reformed Government in the sphere of local self-government, *i.e.*, the Bills to amend the Bengal Municipal and Local Self-Government Acts, and the Village Administration Act. Its attitude towards the constructive parts of these measures is characterised as displaying an objection to interference in the affairs of local bodies by the local officers of government tempered by a reluctance to entrust too much to these bodies or to their elected office bearers. The machinery of a Local Self-Government and a Public Health Board, which are creations of the new régime, is cited as an illustration of the desire of elected members to vest control over local bodies in the minister and to share the control with him. Resolutions and questions are reported to have betrayed a tendency to ignore the principle of non-interference with local bodies and to suggest direction from above in purely local matters, such as the construction of a road or the selection of a school or hospital site. But such general questions as the extension of medical relief and education also appear to have evoked interest, and resolutions recommending a progressive policy in respect of both are reported to have been passed.

The Central Provinces reports state that members of Legislative Council take a great interest in matters connected with local self-government, and maintain touch with their constituencies through local bodies.

In Assam, in the important matter of taxation, the attitude of the Legislative Council towards measures designed to raise fresh taxes to assist local bodies is said to have improved. For instance, at first an attempt on the part of the Government to legislate for enhancing the local rate on land under tea failed. But, subsequently, the Council passed the Assam Stamp and Court Fees Acts, because it was pointed out that part of the income would be devoted to the improvement of the water supply in rural areas, and was equally agreeable to the passing of the Assam Local Rates and Local Self-Government Amendment Act, 1926, which purports to raise the local rate on land under tea cultivation in order to provide additional funds for improving roads in the districts on which the increased cess will fall.

PART IV—STATISTICAL TABLES.

TABLE I.

Statement showing the constitution of municipalities in India during years 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26.

Province.	Year.	Number of municipalities.	Members.			Chairmen.	Remarks.	
			Total number.	Elected.				Ex-officio and nominated.
				Number.	Percentage.			
Madras (excluding Madras city).	1884-85	47	714	176	24.6	538	No information.	
	1894-95	56	871	382	43.9	489	Do.	
	1907-08	60	938	461	49.2	477	Do.	
	1918-19	72	1,051	586	55.8	465	50 22	
	1925-26	80	1,080	1,296	76.7	393	77 3	
Bombay (excluding Bombay city).	1884-85	162	2,508	270	10.8	2,238	No information.	
	1894-95	170	2,391	907	37.9	1,484	Do.	
	1907-08	150*	2,207	808	36.9	1,327	Do.	
	1918-19	156	2,222	1,087	48.9	1,135	62 91†	
	1925-26	156	3,007	2,424	78.3	673	144 12	
Bengal (excluding Calcutta).	(a) 1884-85	129	1,976	997	50.4	979	No information.	
	(a) 1894-95	146	2,140	1,171	54.6	969	Do.	
	(b) 1907-08	128	1,744	902	51.7	842	Do.	
	1918-19	115	1,570	904	62.9	585	98 17	
	1925-26	115	1,632	1,049	64.2	583	107 8	

* Decrease in number of municipalities due to abolition of certain municipalities in areas where they were found to serve no useful purpose.

† Information regarding three municipalities not given in the report.

(a) Figures include those for B. and O. and a portion of Eastern Bengal.

(b) Including B. and O. but excluding Eastern Bengal.

* Decrease in number of municipalities due to abolition of certain municipalities in areas where they were found to serve no useful purpose.

† Information regarding three municipalities not given in the report.

(a) Figures include those for B. and O. and a portion of Eastern Bengal.

(b) Including B. and O. but excluding Eastern Bengal.

TABLE I—contd.

Statement showing the constitution of municipalities in India during years 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26—contd.

Province.	Year.	Number of municipalities.	Members.				Chairmen.		Remarks.
			Total number.	Elected.		Ex-officio and nominated.	Elected.	Ex-officio and nominated.	
				Number.	Percentage.				
United Provinces	1884-85	108*	1,547	1,235	79.8	312	No information.	* Decrease in number of municipalities due to abolition of municipalities on account of smallness of area and in some cases unpreparedness of population for enlarged responsibilities.	
	1894-95	103*	1,597	1,257	78.7	340	Do.		
	1907-08	89*	1,224	936	76.5	288	Do.		
	1918-19	83*	1,015	865	85.2	150	62		21
	1925-26	85	1,082	940	86.9	142	73		12
Punjab	1884-85	202	2,042	870	42.6	1,172	No information.	† Decrease in number due to abolition of certain municipalities on account of smallness of area and in some cases unpreparedness of population for enlarged responsibilities. ‡ Figure excludes municipalities in North-West Frontier Province, which was constituted as a separate province in 1901. § Excluding Delhi, which was constituted into a separate province in 1912. || Information regarding one municipality not given in the report.	
	1894-95	†149	1,669	803	48.1	866	Do.		
	1907-08	†137	1,473	723	49.1	750	Do.		
	1918-19	§101	1,184	604	51.0	580	7		29||
	1925-26	104	1,194	863	72.3	331	90		14

Burma (excluding Rangoon).	1884-85	10	120	55	45-8	65	No information.	(c) Including 87 co-opted members. (d) Report for 1925-26 not yet received.
	1894-95	41	501	101	20-2	400	Do.	
	1907-08	43	540	63	11-7	477	Do.	
	1918-19	44	563	97	17-2	466	40	
	(d) 1924-25	57	788	(c) 690	37-6	98	55	2
Bihar and Orissa	1884-85	Included in figures for Bengal.					No information.	¶ Information regarding 2 municipalities not given in the report.
	1894-95	Ditto.					Do.	
	1907-08	57	795	476	59-9	319	22	
	1918-19	58	992	773	77-9	214	53	
Central Provinces	1884-85	69	805	488	60-8	317	No information.	(e) Including 111 selected members.
	1894-95	64	785	529	67-4	256	Do.	
	1907-08	57	752	453	60-2	299	Do.	
	1918-19	59	813	507	62-4	306	50	
	1925-26	65	1,085	(e) 840	77-4	245	63	2
Assam	1884-85	13	129	59	45-7	70	No information.	(f) Figure included municipalities in part of Eastern Bengal which, with Assam was constituted into a new province in 1905 and dissolved in 1911-12.
	1894-95	14	149	54	36-2	95	Do.	
	1907-08	(f) 50	652	323	49-5	329	Do.	
	1918-19	23	241	128	53-1	113	14	
	1925-26	25	295	232	78-1	63	15	10
Madras Municipal Corporation.	1884-85	1	35	15	42-8	20
	1894-95	1	33	24	72-7	9	..	
	1907-08	1	37	20	54-0	17	..	
	1918-19	1	33	20	60-6	13	..	
	1925-26	1	46	38	82-6	8	1	..

TABLE I—*concl'd.*

Statement showing the constitution of municipalities in India during years 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26
—concl'd.

Province.	Year.	Number of municipalities.	Members.				Chairmen.		Remarks.
			Total number.	Elected.		Ex-officio and nominated.	Elected.	Ex-officio and nominated.	
				Number.	Percentage.				
Bombay Municipal Corporation.	1884-85	1	72	56	77.7	16	1	..	* Including 10 co-opted members.
	1894-95	1	72	56	77.7	16	1	..	
	1907-08	1	72	56	77.7	16	1	..	
	1918-19	1	72	56	77.7	16	1	..	
	1925-26	1	106	*90	84.9	16	1	..	
Calcutta Municipal Corporation.	1884-85	1	75	50	66.6	25	..	1	
	1894-95	1	77	50	64.9	27	..	1	
	1907-08	1	51	25	49.1	26	..	1	
	1918-19	1	50	25	50.0	25	..	1	
	1925-26	1	90	68	75.5	22	1	..	
Rangoon Municipal Corporation.	1884-85	1	25	17	68.0	8	..	1	† 1925-26 report not received yet.
	1894-95	1	24	18	75.0	6	..	1	
	1907-08	1	25	16	64.0	9	..	1	
	1918-19	1	25	18	72.0	7	..	1	
	+1924-25	1	34	29	85.3	5	..	..

TABLE II.

Statement showing the constitution of rural boards in India during the years 1889-90, 1894-95, 1907-08, 1918-19 and 1925-26.

Province.	Year.	Number of rural boards.	Members.			Ex-officio and nominated.	Chairmen.		Remarks.
			Total number.	Elected.			Elected.	Ex-officio and nominated.	
				Number.	Percentage.				
Madras*	1889-90	355	1,013	210	5.9	3,773	No information.		* Figures include union boards. (x) 63 seats were vacant during the year. † Decrease in number of boards due to abolition of certain union boards or their conversion into village panchayats. ‡ One union board ceased to function during the year and one had no president. § Deficiency in number of chairmen was due to the fact that in one division some chairmen presided over more than one local board. || Including B. and O. but excluding Eastern Bengal.
	1894-95	458	5,069	303	5.9	1,766	Do.		
	1907-08	489	5,307	318	5.7	5,189	Do.		
	1918-19	637	7,077	1,573	22.2	5,501	98(x) 598‡	(x) 196 37†	
	1925-26	637†	8,510	6,296	85.4	2,214			
Bombay	1889-90	221	3,430	1,513	14.9	1,887	No information.		
	1894-95	224	3,494	1,573	45.0	1,921	Do.		
	1907-08	232	3,633	1,621	41.6	2,012	Do.		
	1918-19	241	3,487	1,733	49.7	1,753	236§		
	1925-26	249	4,140	3,123	75.4	1,017	213 36		
Bengal	1889-90||	144	2,000	772	38.6	1,228	No information.		
	1894-95||	140	2,025	769	37.9	1,256	Do.		
	1907-08	107	1,537	505	32.8	1,032	Do.		
	1918-19	97	1,378	651	47.4	721	59 38		
	1925-26	108	2,002	1,228	61.3	774.	101 4		

	Included in figures for Bengal.				..		† Figures include union boards.
	1889-90	1894-95	1907-08	1918-19	1925-26	..	
Bihar and Orissa†	108	1,218	318	20.1	900	56†	† Information regarding chairmen of 9 boards not available in report.
	124	1,623	1,192	73.4	431	113	
	68	1,139	893	77.5	246	No information.	
	97	1,052	1,200	72.6	452	Do.	
Central Provinces	96	1,056	1,210	73.6	437	Do.	‡ Nine seats of chairmen were vacant.
	102	1,861	1,375	73.8	486	71	
	106	1,897	1,430	75.3	305	86‡	
Assam	19	378	149	39.4	229	No information.	|| Figures included rural boards in part of Eastern Bengal, which with Assam, was constituted into a new province in 1905 and dissolved in 1911-12.
	19	372	142	38.1	230	Do.	
	66||	967	397	41.0	670	Do.	
	19	330	208	63.0	122	1	
	19	380	263	69.7	115	13	

Statement showing voters for municipal and rural board

Province and year.	Municipalities.		District boards.		Taluk or local
	Number.	Voters.	Number.	Voters.	Number.
Madras (excluding Madras city).	1919 { 72	58,554(a)	25	{ No direct elections to district boards.	97
	1926 { 80	2,15,348	24		129
Bombay (excluding Bombay city).	1919 { 156	1,66,775(f)	26	No direct elections to district boards.	216
	1926 { 156	5,05,091	27	2,50,167	222
Bengal (excluding Calcutta).	1919 { 11	1,59,974	25	{ Elected members of district boards are elected by local boards	72
	1926 { 115	1,66,956	26		82
United Provinces	1919 { 84	1,17,759(l)	48	9,378(m)	{ There are
	1926 { 85	2,98,808	48	12,69,942	
Punjab	1919 { 101	2,19,803	29	1,74,896	{ There are
	1926 { 104	5,18,486	20	5,43,198	
Burma (excluding Rangoon).	1919 { 46	64,353(o)	{ Information not available.	{ Elected members of district councils are elected by circle boards.	{ Information not available.
	(k) 1925 { 57	95,261(p)			

III.

and village authorities during 1919 and 1926.

or circle boards.	Union boards.		Village panchayats.		Remarks
	Number.	Voters.	Number.	Voters.	
1,12,414(b)	535	51,726(d)	25	Electorate comprises all male residents in panchayat area. Information as to number not available.	(a) Figures for 55 municipalities only. There was no elective system in 5 municipalities and figures for remaining 12 municipalities are not available.
8,02,025(c)	484	2,81,072(e)	933		(b) } These figures are not (c) } complete as information regarding (d) } voters for taluk (e) } and union boards in certain districts is not available.
65,407(g)	} There are no union boards.		Information not available.	79,416(h) (in 1922)	(f) Excludes voters for certain municipalities in Central division whose number is not known.
10,91,464			227	29,705(h)	(g) Excludes voters, for all taluk boards in Northern division 66 taluk boards in Sind and Central Division, and some taluk boards in Southern division, as their number is not known.
Information not available.	1,052(j)	2,84,331(j)	Information not available.		(h) Figures for panchayats in Southern division only. Information regarding panchayats in Central and Northern divisions not available. No panchayats exist in Sind and in Bombay Suburban divisions.
16,91,331(i)	2,269	8,81,773(k)	159	Information not available.	(i) Excluding districts of Jalpalguri and Darjeeling where the elective system is not in force and Malda, where there is no local board.
no taluk, local or	union boards in the United Provinces.		Information not available. 4,772	There is no formal election.	(j) Figure for 1921-22. Earlier figures not available. (k) Figures for 1925-26. Later figures not available.
no taluk, local or	union boards in the Punjab.		Information not available. 323	18,482(n) 38,824	(l) Excluding voters in 9 municipalities, whose number is not known. (m) Excluding voters in 13 district boards, whose number is not known.
5,95,411(q)	} There are no union boards or village panchayats in Burma.				(n) Figure for 1922-23, the first year after promulgation of law, relating to panchayats in the Punjab. (o) Figure for 1921. Earlier figures not available. (p) Figure for 1924. Later figures not available. (q) Figure for 1922, when elections were first held.
4,15,247					

Statement showing voters for municipal and rural board

Province and year.	Municipalities.		District boards.		Taluk or local	
	Number	Voters.	Number.	Voters.	Number.	
Bihar and Orissa .	1919	58	62,356	18	Elective system was not in force.	46
	1926	58	1,16,786	19	2,83,742	46
Central Provinces .	1919	59	47,290(u)	21	No direct election to district councils.	82
	1926	65	1,77,895	23		83
Assam . . .	1919	25	8,135	There are no district boards in Assam.		19
	1926	25	15,857			19

not seem, therefore, to be any need for a special reference to the Act in this entry. To prevent misconception, the point can be covered by a general statement in the rules."

Subsequently, however, the proposed method of treatment underwent radical alteration. An India Office reforms committee revised the relevant entry in the provincial list to read—

"Administration of justice including the constitution, powers, maintenance and organization of Courts of civil and criminal jurisdiction within the province, subject to Indian legislation as regards High Courts, Chief Courts and Courts of Judicial Commissioners and any Courts of criminal jurisdiction."

The point was referred to in the oral examination of Messrs. Feethams and Stephenson to whom Lord Sinha put the following question:—

"No. 16* is more or less drafting, is it not?"

Mr. Feetham's reply was:—

"No. 16, I think, might be described as a drafting amendment....."

In their report on clause I of the Bill the Joint Select Committee observed:—

"The lists of central, provincial and transferred subjects included in the Functions Committee's report have been somewhat altered after consultation with the India Office, and as so amended, they are accepted by this Committee."

In pursuance of this general acceptance of the lists of subjects as altered after consultation with the India Office entry 17 in the list of provincial subjects set forth in Part II of Schedule I to the Devolution Rules reproduces the final re-draft of the Committee's entry 16 and reads as follows:—

"Administration of justice, including constitution, powers, maintenance and organization of Courts of civil and criminal jurisdiction within the province; subject to legislation by the Indian Legislature as regards High Courts, Chief Courts, and Courts of Judicial Commissioners and any Courts of criminal jurisdiction."

8. It has been contended that the description by Mr. Feetham of the re-draft of original entry 16 as "more or less drafting" and the acceptance of that description by the Committee embodied a very serious misconception. The original draft of the Feetham Committee and the revision thereof by the Government of India agreed in this that the High Courts were, in whole or in part, expressly excluded from the pro-

The same—a possible misconception.

* I.e., the re-draft as amended by the India Office Committee.

TABLE IV.

Statement showing ordinary income of municipalities in Governors' provinces during the years 1920-21 to 1925-26.

Province.	Year.	Rates and taxes.	Government grants and contributions.					Total.	Remarks.
			General.	Medical.	Educational.	Total.	Other heads.		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Madras (excluding Madras municipal corporation.)	1920-21	47,50,993	13,53,885	13,136	4,27,934	17,94,955	27,08,062	93,14,610	*Separate figures not shown in reports.
	1921-22	55,20,933	*	*	*	13,33,331	26,43,749	94,98,216	
	1922-23	64,84,606	*	*	*	12,13,078	27,35,887	1,04,33,571	
	1923-24	67,85,172	2,81,504	70,173	7,00,276	11,20,953	30,52,015	1,09,58,140	
	1924-25	68,43,415	9,32,470	77,205	6,14,340	16,24,015	33,46,101	1,20,13,531	
	1925-26	71,10,632	13,84,028	34,953	9,39,885	23,58,898	35,78,442	1,30,47,972	
Bombay (excluding Bombay municipal corporation).	1920-21	99,35,255	2,41,724	67,077	12,24,824	15,36,625	65,47,806	1,80,16,686	
	1921-12	1,08,84,085	3,16,725	86,051	13,29,707	17,32,483	50,00,175	1,76,16,743	
	1922-23	1,22,71,154	3,25,604	68,028	14,79,700	18,74,022	38,75,521	1,80,20,697	
	1923-24	1,33,85,461	3,84,792	1,18,262	15,38,291	20,41,345	40,73,511	1,95,00,317	
	1924-25	1,46,12,348	2,21,642	2,30,679	21,32,550	25,84,871	50,86,070	2,22,83,289	
	1925-26	1,53,09,561	2,22,678	3,90,118	17,01,611	23,14,407	46,64,538	2,22,88,506	
Bengal (excluding Calcutta municipal corporation).	1920-21	55,63,780	4,16,281	5,760	1,06,056	5,28,097	10,14,615	71,06,492	
	1921-22	59,60,877	5,27,624	6,740	1,00,761	6,35,125	11,21,083	77,17,088	
	1922-23	62,90,852	6,58,685	5,764	88,708	7,53,157	11,03,339	81,47,348	
	1923-24	64,57,702	6,61,743	5,398	72,479	7,39,820	11,31,298	83,28,730	
	1924-25	60,69,909	7,48,726	4,754	80,480	8,33,960	10,61,266	79,65,135	
	1925-26	62,11,862	99,918	5,934	1,14,379	2,19,931	11,49,469	75,81,262	
	1920-21	70,33,391	6,63,586	35,070	1,81,377	8,80,033	33,05,022	1,12,18,416	
	1921-22	76,28,894	11,59,217	42,972	1,96,687	13,97,876	36,29,657	1,26,56,427	
	1922-23	86,19,134	16,29,398	74,040	2,97,559	20,00,997	35,57,650	1,41,77,781	

TABLE V.

Statement showing ordinary expenditure of municipalities in Governors' provinces during the years 1920-21 to 1925-26.

Province.	Year.	General Administration and Collection.	Education.	Public health and convalescence (including medical relief but excluding roads).	Communications and roads.	Other heads.	Total.	Remarks.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Madras (excluding Madras municipal corporation).	1920-21	10,52,042	12,50,207	60,17,740	10,87,024	10,29,766	1,10,46,469	
	1921-22*	..	..	..	..	..	..
	1922-23	12,50,152	14,06,127	48,66,466	9,54,667	14,07,305	99,53,717	
	1923-24	11,92,212	16,80,165	57,81,645	10,82,140	11,64,863	1,09,01,025	
	1924-25	12,53,458	18,96,851	56,65,087	11,19,255	8,41,122	1,07,75,773	
	1925-26	14,40,091	20,64,916	64,43,511	15,40,120	7,73,164	1,22,61,802	
Bombay (excluding Bombay municipal corporation).	1920-21	15,40,145	30,33,730	70,57,011	14,99,296	32,52,384	1,63,82,666	
	1921-22	17,12,816	38,31,398	71,84,644	15,53,066	32,16,434	1,74,98,958	
	1922-23	17,65,372	36,58,683	79,23,062	18,44,715	23,53,935	1,75,45,767	
	1923-24	19,15,876	40,83,672	93,31,382	15,57,558	23,61,218	1,92,49,706	
	1924-25	20,80,309	45,40,922	1,02,37,058	18,06,448	32,11,057	2,18,75,794	
	1925-26	22,00,806	43,31,507	1,19,96,458	23,13,461	31,44,588	2,39,86,823	
Bengal (excluding Calcutta municipal corporation).	1920-21	5,76,014	2,83,955	37,53,822	5,85,714	10,77,865	62,77,370	
	1921-22	6,13,203	3,35,757	51,48,847	6,23,230	11,37,747	78,58,784	
	1922-23	6,77,053	3,56,200	46,96,250	8,00,985	11,45,238	76,75,726	
	1923-24	7,17,668	3,20,920	48,99,648	8,73,490	11,89,670	80,01,405	
	1924-25	6,72,219	2,94,321	44,16,251	8,80,005	10,42,457	73,05,253	
	1925-26	7,04,146	3,81,324	42,89,889	8,14,737	10,98,753	72,88,849	
United Provinces.	1920-21	13,23,094	9,70,655	57,86,524	8,92,659	29,10,492	1,18,83,424	
	1921-22	11,35,753	11,32,791	77,23,447	10,87,033	33,54,814	1,47,36,838	
	1922-23	15,46,217	11,71,094	77,77,317	10,61,633	39,08,121	1,54,64,382	

* Figures not available.

Punjab	1923-24	15,49,668	12,40,315	68,59,654	12,01,488	27,10,733	1,35,70,858
	1924-25	16,09,624	14,06,987	67,34,088	14,21,352	27,98,487	1,39,71,138
	1925-26	16,81,704	15,18,886	72,21,543	17,09,039	32,11,691	1,64,02,863
Punjab	1920-21	11,40,434	13,50,578	48,65,050	11,21,233	26,60,008	1,11,43,903
	1921-22	12,97,967	14,80,927	60,40,730	11,42,094	27,61,220	1,27,22,938
	1922-23	12,99,701	14,72,877	64,60,427	8,24,587	26,92,510	1,27,50,162
Burma (excluding Rangoon municipal corporation).	1923-24	13,01,135	15,05,326	73,13,767	9,15,981	28,91,121	1,39,27,330
	1924-25	13,21,335	15,18,357	62,07,511	8,03,785	26,86,018	1,25,37,006
	1925-26	13,18,802	15,08,160	61,52,904	9,87,509	27,20,332	1,27,86,707
Burma (excluding Rangoon municipal corporation).	1920-21	4,66,224	3,43,134	33,96,838	5,33,308	6,03,324	53,42,828
	1921-22	8,97,681	3,88,431	36,03,889	6,02,226	6,95,011	61,87,238
	1922-23	6,04,012	4,18,706	34,74,329	4,61,249	7,10,634	56,68,960
Bihar and Orissa	1923-24	7,15,618	4,68,819	33,01,908	6,73,046	10,73,931	62,33,322
	1924-25	6,90,542	4,97,847	30,33,970	6,89,547	15,66,393	64,78,299
	1925-26			(Report not yet received.)			
Bihar and Orissa	1920-21	2,37,810	1,69,004	22,01,233	2,65,565	3,34,245	31,97,857
	1921-22	2,40,901	1,79,762	22,21,481	2,28,254	3,05,181	31,75,579
	1922-23	2,51,185	1,90,811	20,78,395	3,26,874	3,08,193	31,55,458
Central Provinces	1923-24	2,57,905	2,29,738	20,10,571	3,09,780	3,28,129	31,30,123
	1924-25	2,76,116	2,41,577	21,72,674	4,14,439	3,62,706	34,67,512
	1925-26	2,87,018	2,76,962	21,61,166	4,21,717	3,38,201	34,85,064
Central Provinces	1920-21	6,55,849	7,62,088	25,40,763	3,36,054	5,25,804	48,26,558
	1921-22	7,43,129	7,89,386	25,78,647	2,85,936	5,64,806	49,61,901
	1922-23	7,21,124	7,84,294	23,96,709	2,67,556	5,81,376	47,51,059
Assam	1923-24	7,43,709	9,02,172	25,01,020	3,65,395	6,47,505	51,59,801
	1924-25	8,32,150	9,92,257	29,13,513	4,61,497	6,77,345	58,76,762
	1925-26	7,84,390	11,14,920	32,19,752	4,17,551	6,44,231	61,80,844
Assam	1920-21	60,045	58,204	4,81,205	97,644	62,476	7,60,033
	1921-22	63,665	67,393	4,84,850	1,04,916	1,00,244	8,21,098
	1922-23	69,906	74,120	4,65,539	1,07,920	65,875	7,83,360
Assam	1923-24	67,068	76,315	4,78,834	1,76,843	66,480	8,05,540
	1924-25	74,221	70,740	5,18,809	1,44,333	80,674	8,94,777
	1925-26	80,273	79,079	5,42,449	1,34,224	89,610	9,25,635

TABLE VI.
Statement showing ordinary income of rural boards in Governors' provinces from 1920-21 to 1925-26.

Province.	Year.	Government grants.					Other sources.	Total.
		For educational purposes.	For medical purposes.	For civil works including sanitary schemes.	For other purposes.	Total.		
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Madras	1920-21	75,43,371	1,25,187	25,03,128	85,226	61,91,948	88,09,138	2,25,44,457
	1921-22	87,93,993	2,90,159	29,69,017	7,58,304	70,89,609	79,23,281	2,38,06,883
	1922-23	1,04,58,531	2,11,276	29,75,876	8,91,615	83,26,564	82,29,542	2,70,14,637
	1923-24	1,11,81,082	2,93,930	43,92,425	9,27,813	1,00,09,839	91,14,460	3,03,05,401
	1924-25	1,09,00,971	2,41,509	34,75,936	8,22,458	92,19,601	91,11,652	2,92,32,284
	1925-26	1,15,27,471	4,50,453	39,93,610	2,51,066	1,01,09,901	1,13,60,899	3,20,98,271
Bombay	1920-21	27,98,786	96,341	21,57,925	99,501	83,07,182	12,58,938	1,23,64,906
	1921-22	40,00,685	1,10,703	23,00,778	1,39,571	1,01,06,944	10,84,236	1,52,81,865
	1922-23	41,99,016	1,04,760	12,67,820	2,29,873	91,93,017	12,30,646	1,46,22,679
	1923-24	42,11,803	1,05,951	14,43,036	2,36,933	1,01,25,433	14,53,790	1,57,91,026
	1924-25	51,20,197	1,28,316	16,10,849	2,16,749	99,23,941	17,37,819	1,67,81,957
	1925-26	53,22,981	2,16,565	24,03,569	2,53,761	1,13,53,656	26,93,367	1,93,69,404
Bengal	1920-21	67,50,735	29,879	6,28,426	2,71,725	25,23,057	15,75,200	1,08,48,992
	1921-22	70,42,875	37,178	6,26,180	2,91,385	25,84,594	12,39,049	1,08,66,518
	1922-23	73,23,028	1,15,907	6,36,105	2,71,103	27,15,899	14,99,253	1,15,38,090
	1923-24	74,22,522	1,35,337	6,54,902	2,55,907	26,99,027	15,60,951	1,16,72,500
	1924-25	76,17,021	2,74,321	7,12,490	2,56,582	28,79,111	17,12,819	1,22,08,951
	1925-26	76,24,613	2,19,114	7,61,000	2,86,194	30,71,530	18,68,124	1,25,64,267
Provinces	1920-21	71,49,117	2,14,141	5,14,237	9,687	50,59,976	30,72,635	1,52,81,728
	1921-22	71,90,603	1,72,749	5,77,274	9,975	68,76,248	29,85,206	1,70,53,057
	1922-23	72,21,773	4,48,380	4,38,086	7,656	54,73,387	29,65,238	1,56,60,398

Punjab	1923-24	70,88,120	04,30,853	2,58,825	0,82,350	7,223	73,70,251	28,87,164	1,73,54,535
	1924-25	73,61,056	63,71,623	3,00,873	8,00,025	20,719	74,93,240	30,13,809	1,78,08,105
	1925-26				Report not yet received.				
Bihar and Orissa	1920-21	44,15,810	21,69,575	88,676	11,72,363	9,17,000	43,47,014	25,10,040	1,12,73,464
	1921-22	42,80,984	28,05,315	95,561	15,99,240	9,84,490	51,84,636	27,82,409	1,25,48,029
	1922-23	49,29,085	30,09,225	72,146	13,98,342	11,21,870	56,91,583	28,89,461	1,35,10,129
Central Provinces	1923-24	53,13,299	35,32,345	1,11,752	7,19,411	11,11,220	55,04,728	30,03,048	1,38,21,675
	1924-25	57,59,646	38,84,439	91,991	6,11,768	11,68,295	57,56,433	32,03,803	1,47,19,882
	1925-26				Report not yet received.				
Assam	1920-21	63,00,665	11,17,478	2,30,506	0,95,054	3,52,372	23,95,410	8,89,300	95,85,384
	1921-22	70,20,837	11,18,032	1,96,535	7,38,075	3,311	20,55,983	9,21,867	99,98,687
	1922-23	76,07,835	10,72,301	1,93,538	6,60,237	903	19,26,979	8,84,281	1,04,19,095
Burma	1923-24	77,50,093	16,73,052	3,85,204	5,46,373	1,672	26,06,301	11,34,263	1,14,90,657
	1924-25	78,53,906	20,52,874	3,85,316	5,49,290	6,126	29,93,606	11,43,501	1,19,91,013
	1925-26	76,78,223	27,71,513	5,66,872	8,33,219	1,130	41,75,734	12,34,219	1,30,88,176
Central Provinces	1920-21	8,62,161	15,47,236	33,592	10,43,722	15,831	26,40,381	10,46,645	51,40,187
	1921-22	17,47,921	17,17,310	64,165	12,68,344	32,836	30,82,595	20,41,127	74,71,943
	1922-23	17,55,844	17,45,167	34,594	10,06,678	4,921	27,91,353	22,26,207	67,73,404
Assam	1923-24	20,49,486	15,39,790	28,729	8,87,480	2,78,253	27,34,252	16,52,062	64,35,800
	1924-25	21,64,969	12,46,697	88,028	8,60,372	6,76,150	28,71,247	14,76,047	65,12,263
	1925-26				Report not received yet.				
Assam	1920-21	9,30,738	4,46,088	71,511	0,29,847	2,03,509	13,50,955	3,25,291	26,06,984
	1921-22	9,81,996	6,36,512	1,11,656	7,19,603	2,02,845	16,70,616	2,74,081	29,27,293
	1922-23	9,50,577	6,37,028	1,33,716	4,19,300	2,02,409	13,92,549	2,98,247	26,41,373
Assam	1923-24	10,42,849	6,38,313	1,36,603	4,30,892	2,02,018	14,07,856	3,35,719	27,86,424
	1924-25	10,79,690	6,45,178	1,37,030	5,28,012	2,01,635	15,11,755	3,53,696	29,45,141
	1925-26	10,65,947	6,42,507	2,22,300	9,48,837	2,03,483	20,17,127	4,00,616	34,83,690

There were no rural boards.

No report received yet.

Report not received yet.

TABLE VII.

Statement showing the ordinary expenditure of rural Boards in Governors' provinces during the years 1920-21 to 1925-26.

Province.	Year.	General Administration.	Education.	Medical (including sanitation).	Communications.	Other heads.	Total expenditure.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Madras . . .	1920-21	10,30,389	58,30,940	29,37,318	86,89,100	82,14,905	2,67,11,652
	1921-22	13,09,674	55,62,515	29,81,982	90,23,032	71,89,298	2,60,66,501
	1922-23	14,82,714	63,16,180	30,51,523	80,75,169	71,81,689	2,67,07,275
	1923-24	12,97,390	67,47,757	31,62,510	86,44,252	71,59,496	2,70,11,405
	1924-25	13,86,487	72,32,623	30,00,345	86,19,142	68,75,731	2,71,14,328
	1925-26	13,93,930	81,06,317	30,50,947	95,29,037	93,33,177	3,14,13,408
Bombay . . .	1920-21	3,13,979	65,31,743	8,72,621	21,82,668	31,32,172	1,30,33,183
	1921-22	4,13,300	78,64,963	9,78,823	22,68,349	32,04,207	1,47,29,642
	1922-23	4,68,814	87,20,121	8,99,885	21,01,883	23,15,693	1,45,15,396
	1923-24	5,51,500	88,67,389	10,76,412	22,34,166	24,32,700	1,51,62,167
	1924-25	5,94,579	89,41,530	10,50,720	21,71,618	26,02,808	1,53,61,235
	1925-26	6,65,511	97,80,077	9,82,187	27,89,645	31,30,733	1,73,48,163
Bengal . . .	1920-21	4,14,010	28,49,900	11,73,205	37,38,492	31,56,664	1,13,32,271
	1921-22	4,60,784	28,42,673	13,67,732	32,90,415	30,13,991	1,09,75,595
	1922-23	5,28,691	29,27,592	16,25,021	34,80,732	27,81,081	1,12,43,117
	1923-24	5,51,241	29,43,552	16,98,593	35,96,627	30,55,798	1,18,45,811
	1924-25	5,63,100	29,89,274	18,07,217	36,21,710	32,29,662	1,22,10,963
	1925-26	5,81,869	30,46,609	20,23,881	35,91,683	34,03,827	1,26,47,871
United Provinces . . .	1920-21	5,98,772	62,78,870	18,00,264	26,39,952	38,95,651	1,52,13,509
	1921-22	6,73,608	82,88,392	21,20,072	29,43,083	44,40,086	1,84,66,241
	1922-23	7,12,023	85,24,521	22,03,814	28,65,045	40,44,651	1,83,50,054

Punjab	1923-24	7,53,502	85,81,529	22,12,000	23,09,169	26,20,813	1,80,67,913
	1924-25	8,12,433	89,60,881	23,21,614	27,54,078	32,10,267	1,77,89,303
	1925-26			Report not yet received.			
Burma	1920-21	3,50,715	44,41,700	10,93,831	26,82,255	36,63,432	1,22,31,936
	1921-22	4,05,051	49,39,067	15,09,151	26,66,391	41,67,612	1,39,87,212
	1922-23	4,13,897	52,53,800	15,21,538	23,51,517	36,86,753	1,32,00,605
	1923-24	4,56,039	57,15,570	15,10,326	23,25,188	35,12,015	1,35,49,147
	1924-25	4,79,177	62,18,968	16,98,431	20,52,132	36,30,718	1,40,79,465
1925-26				Report not yet received. ;			
There were no rural boards.							
Bihar and Orissa	1920-21	3,20,381	18,85,537	9,30,833	38,99,777	23,38,422	93,93,950
	1921-22	3,59,908	20,60,030	11,71,982	37,39,513	27,03,391	1,00,31,837
	1922-23	3,66,093	20,86,858	12,62,046	41,71,291	27,10,538	1,05,72,736
	1923-24	3,67,459	22,91,173	14,32,895	51,05,071	28,24,656	1,20,21,251
	1924-25	4,51,625	29,21,329	15,65,810	42,50,462	29,44,177	1,21,33,493
1925-26		5,15,536	36,63,325	17,02,855	43,48,696	32,37,912	1,34,68,321
Central Provinces	1920-21	2,69,323	20,96,114	2,99,052	13,28,310	22,02,763	61,95,512
	1921-22	2,97,727	23,30,337	2,88,295	13,34,411	19,86,722	62,37,492
	1922-23	2,96,076	23,69,988	3,13,981	7,72,040	16,72,853	64,24,978
	1923-25	3,08,765	24,47,331	3,37,223	9,20,051	18,32,461	58,45,834
	1924-25	3,87,236	25,49,368	4,55,892	10,52,073	20,94,442	65,39,011
1925-26				Report not yet received.			
Assam	1920-21	75,662	8,14,067	3,23,612	7,49,157	5,24,255	24,86,753
	1921-22	88,200	8,90,116	3,79,630	8,61,099	7,03,658	29,25,103
	1922-23	98,322	10,55,065	4,38,777	8,28,169	5,48,004	29,68,337
	1923-24	96,172	10,19,882	4,47,705	7,40,307	5,24,612	28,28,678
	1924-25	99,923	10,37,097	4,59,188	8,30,723	4,91,402	29,18,333
1925-26		1,04,120	10,46,409	5,14,933	9,34,340	6,75,708	32,75,510

TABLE VIII.

Statement showing the ordinary income of municipalities during the years 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26.

Province.	Year.	Total income.	Principal sources and proportion.						Remarks.
			Taxation.		Government Grants.		Other heads.		
			Amount.	Proportion to total income.	Amount.	Proportion to total income.	Amount.	Proportion to total income.	
{ Madras (excluding Madras municipal corporation). }	1884-85	Rs. 17,74,890	Rs. 10,05,187	56.64	Rs. 1,30,916	7.32	Rs. 6,38,787	36.04	
	1894-95	29,13,228	14,45,983	49.64	3,41,534	11.72	11,25,711	38.64	
	1907-08	37,24,678	23,62,438	63.43	2,11,251	5.75	11,47,989	30.82	
	1918-19	82,98,543	44,17,716	53.34	13,48,486	16.25	25,32,341	30.41	
	1925-26	1,30,47,972	71,10,632	54.50	23,58,898	18.08	35,78,442	27.42	
{ Madras municipal corporation }	1884-85	12,60,674	8,08,021	64.10	1,03,911	8.24	3,48,742	27.66	
	1894-95	10,01,691	9,67,693	60.45	35,192	2.13	5,93,806	37.42	
	1907-08	25,63,882	13,91,670	54.28	5,53,670	21.60	6,18,542	24.12	
	1918-19	38,08,283	24,95,635	65.53	1,60,376	4.21	11,62,272	30.26	
	1925-26	68,84,296	40,33,826	58.60	38,186	.55	28,12,284	40.85	
{ Bombay (excluding Bombay municipal corporation). }	1884-85	32,24,814	23,13,048	71.73	36,901	1.13	8,74,865	27.14	
	1894-95	61,00,505	37,84,906	62.04	2,36,796	3.88	20,78,803	34.08	
	1907-08	79,92,502	45,14,969	56.49	3,88,410	4.86	30,89,123	38.65	
	1918-19	1,23,81,637	77,36,710	62.49	9,89,840	7.99	36,55,087	29.52	
	1925-26	2,22,88,506	1,53,09,561	68.69	23,14,407	10.38	46,64,538	20.93	
{ Bombay municipal corpora- }	1884-85	42,10,846	10,32,887	71.60	90,000	2.14	11,06,545	26.26	
	1894-95	97,98,240	55,78,310	56.92	..	..	42,19,930	43.08	
	1907-08	95,73,706	84,60,424	88.37	..	..	11,13,282	11.63	

Hon.	1918-19	1925-26	1,74,77,683	1,53,01,071	88-07	56,750	-32	20,28,902	11-01
			3,00,55,400	2,72,51,808	89-90	6,69,635	2-18	27,33,957	8-92
Bengal (excluding Calcutta municipal corporation).	1894-95		26,05,997	19,47,411	73-11	28,849	1-04	6,89,737	25-85
	1894-95		40,45,345	23,13,485	57-16	28,220	-69	17,03,640	42-15
	1907-08		46,22,106	34,67,085	75-00	3,55,970	7-57	7,99,131	17-28
	1918-19		64,52,693	51,33,100	79-55	2,51,121	3-89	10,68,472	16-56
	1925-26		75,81,282	62,11,862	81-94	2,19,931	2-90	11,49,469	15-16
Calcutta municipal corporation.	1894-95		56,62,786	25,05,027	45-30	15,304	-26	30,82,455	54-44
	1894-95		49,69,944	40,97,366	82-40	30,575	-61	8,42,003	16-93
	1907-08		79,17,636	64,01,137	80-85	65,870	-83	14,50,629	18-32
	1918-19		1,42,04,835	1,02,56,904	72-42	1,26,367	-80	37,91,504	26-69
	1925-26*		1,99,07,870	1,57,78,174	79-26	97,681	-49	40,31,715	20-25
United Provinces	1894-95		27,03,926	19,32,250	72-20	1,05,975	3-92	6,45,701	23-88
	1894-95		55,06,002	33,97,726	61-71	35,867	-65	20,72,409	37-64
	1907-08		66,07,058	50,10,603	75-85	1,11,825	1-69	14,81,630	22-46
	1918-19		1,19,00,583	69,71,875	56-07	1,19,694	10-05	40,32,014	33-88
	1925-26		1,55,42,575	1,01,80,680	65-51	13,07,933	8-41	40,53,962	26-08
Punjab	1894-95		27,92,902	23,72,034	84-96	29,148	1-02	3,91,720	14-02
	1894-95		43,82,089	31,27,594	71-38	1,50,724	3-43	11,03,731	25-10
	1907-08		60,76,030	40,03,618	65-00	80,877	1-48	19,82,635	32-62
	1918-19		84,55,333	49,11,581	58-09	8,43,087	9-07	27,00,065	31-94
	1925-26		1,33,00,584	75,68,183	56-90	14,61,961	11-01	42,67,440	32-09
Burma (excluding Rangoon municipal corporation).	1894-95		20,82,148	6,30,197	30-27	6,98,847	33-56	7,53,104	30-17
	1894-95		17,33,670	6,12,925	35-36	11,726	-68	11,09,019	63-98
	1907-08		37,38,055	13,60,809	36-40	3,18,339	8-52	20,68,907	55-08
	1918-19		50,57,349	19,99,462	30-53	7,69,128	15-21	22,88,759	45-26
	1924-25*		68,15,316	30,02,720	44-06	3,78,844	5-56	34,33,752	50-38
Rangoon municipal corporation.	1894-95		12,94,377	4,48,978	34-72	4,60,400	35-59	3,84,999	29-69
	1894-95		21,22,570	6,88,939	32-45	2,04,110	9-62	12,20,491	57-93
	1907-08		34,99,022	26,18,481	74-85	6,800	-19	8,73,811	24-96
	1918-19		48,92,039	34,56,236	70-65	38,500	-78	13,94,736	28-57
	1925-26		80,59,250	56,88,980	70-59	48,500	-61	23,21,770	28-80

* Later figures not available.

TABLE VIII—contd.

Statement showing the ordinary income of municipalities during the years 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26—contd.

Statement showing the

Province.	Year.	Total income.	Principal sources and proportion.						Remarks.
			Taxation.		Government Grants.		Other heads.		
			Amount.	Proportion to total income.	Amount.	Proportion to total income.	Amount.	Proportion to total income.	
Bihar and Orissa	1884-85	Rs. 33,59,521 35,26,153 10,94,320 18,48,301 20,81,241 44,54,566 59,67,528	Rs. 18,38,150 24,82,309 7,84,979 10,28,951 14,31,150 23,47,437 38,80,569	Formed 54.71 70.41 71.73 55.67 68.76 52.70 65.18	Rs. 8,59,099 2,39,942 17,546 36,608 70,861 6,51,631 5,85,327	Bengal. 25.58 6.80 1.60 1.98 3.44 14.63 9.81	Rs. 6,62,272 8,03,902 2,91,755 7,82,742 5,79,230 14,55,498 14,92,632	19.71 22.79 26.67 42.35 28.31 32.67 25.01	* Includes Eastern Bengal.
	1894-95								
	1907-08								
	1918-19								
	1925-26								
Central Provinces	1884-85	Rs. 1,12,012 1,92,354 17,43,673 6,18,084 9,50,291	Rs. 47,640 93,885 9,18,603 3,67,777 5,56,930	42.54 48.79 52.69 59.50 58.61	Rs. 21,682 22,026 2,76,060 1,08,953 2,01,048	19.35 11.45 15.83 17.63 21.15	Rs. 42,690 76,443 5,49,010 1,41,354 1,92,313	38.11 39.76 31.48 22.87 20.24	
	1894-95								
	1907-08*								
	1918-19								
	1925-26								
Assam	1884-85	Rs. 1,12,012 1,92,354 17,43,673 6,18,084 9,50,291	Rs. 47,640 93,885 9,18,603 3,67,777 5,56,930	42.54 48.79 52.69 59.50 58.61	Rs. 21,682 22,026 2,76,060 1,08,953 2,01,048	19.35 11.45 15.83 17.63 21.15	Rs. 42,690 76,443 5,49,010 1,41,354 1,92,313	38.11 39.76 31.48 22.87 20.24	
	1894-95								
	1907-08*								
	1918-19								
	1925-26								

* Includes Eastern Bengal.

Statement showing the ordinary expenditure of municipalities during the years 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26.

Province.	Year.	Total expenditure.	Principal items and proportion.						Remarks.
			Public health and convenience (including medical relief).		Education.		Other heads.		
			Amount.	Proportion to total expenditure.	Amount.	Proportion to total expenditure.	Amount.	Proportion to total expenditure.	
M a d r a s (excluding Madras municipal corporation).	1884-85	Rs. 17,09,788	Rs. 7,37,153	43.10	Rs. 2,13,753	12.50	Rs. 7,59,035	44.40	
	1894-95	23,60,811	10,27,217	43.03	3,11,129	13.18	4,22,465	17.89	
	1907-08	36,80,181	25,13,798	68.12	4,13,411	11.23	7,22,942	19.65	
	1918-19	80,32,104	54,30,714	67.62	9,19,138	11.34	16,82,222	20.94	
	1925-26	1,22,61,802	79,83,631	65.12	20,64,916	16.84	22,13,255	18.01	
Madras municipal corporation.	1884-85	13,12,419	6,16,024	46.94	15,690	1.19	6,80,705	51.87	
	1894-95	12,13,147	8,23,063	67.85	21,122	1.74	3,68,962	30.41	
	1907-08	17,92,086	11,40,323	63.63	50,254	2.80	6,01,509	33.57	
	1918-19	44,15,679	29,42,258	66.65	1,16,170	2.63	13,56,251	30.72	
	1925-26	58,66,000	30,89,172	52.67	2,35,267	4.01	25,41,561	43.32	
B o m b a y (excluding Bombay municipal corporation).	1884-85	31,72,047	14,53,784	45.83	1,09,994	3.47	16,08,269	50.70	
	1894-95	85,12,538	30,10,226	35.36	6,97,540	8.19	48,04,772	56.15	
	1907-08	59,91,547	34,95,224	58.34	10,58,133	17.66	14,38,337	24.00	
	1918-19	1,17,28,250	58,83,929	50.17	21,72,027	18.52	36,72,294	31.31	
	1925-26	2,30,86,823	1,13,00,922	49.00	43,31,567	28.06	53,45,394	22.28	

TABLE IX—contd.

Statement showing the ordinary expenditure of municipalities during the years 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26
—contd.

Province.	Year.	Total expenditure.	Principals items and proportion.						Remarks.
			Public health and convenience (including medical relief).		Education.		Other heads.		
			Amount.	Proportion to total expenditure.	Amount.	Proportion to total expenditure.	Amount.	Proportion to total expenditure.	
{ Bombay municipal cor- poration.	1884-85	Rs. 98,95,804	Rs. 24,26,735	24.52	Rs. 22,500	.23	Rs. 74,46,509	75.25	
	1894-95	72,48,232	40,23,063	55.51	87,290	1.20	31,37,870	43.29	
	1907-08	1,02,30,048	58,87,541	57.55	2,65,350	2.60	40,77,157	39.85	
	1918-19	1,90,74,887	94,91,165	49.76	9,47,009	4.96	86,30,713	45.28	
	1925-26	4,04,34,864	2,02,99,141	43.72	27,48,380	5.92	2,33,87,343	50.36	
{ Bengal (excluding Cal- cutta municipal corpo- ration).	1884-85	28,06,542	13,17,652	46.95	86,729	3.09	14,02,161	49.96	
	1894-95	37,81,701	20,31,049	77.51	1,36,524	3.61	7,14,128	18.88	
	1907-08	45,94,779	34,37,279	74.81	1,43,443	3.12	10,14,657	22.07	
	1918-19	60,58,439	42,74,335	70.55	2,94,718	4.86	14,89,386	24.59	
	1925-26	72,88,849	51,05,626	70.03	3,81,324	5.23	18,02,899	24.74	
{ Calcutta municipal cor- poration.	1884-85	51,08,496	22,53,908	44.10	..	..	28,54,528	55.90	
	1894-95	45,52,590	25,09,256	55.11	9,400	.02	20,33,934	44.87	
	1907-08	90,18,821	52,87,576	58.64	35,871	.39	36,96,374	40.97	
	1918-19	1,23,19,816	68,96,797	55.99	91,878	.74	53,31,141	43.27	
	1924-25*	2,25,76,507	1,43,36,062	63.50	2,26,600	1.00	80,13,845	35.50	* Later figures not available.

TABLE X.

Statement showing the ordinary income of rural boards during the years 1889-90, 1894-95, 1907-08, 1918-19 and 1925-26.

Province.	Year.	Total income.	Principal sources and proportion.						Remarks.
			Taxation.		Government grants.		Other heads.		
			Amount.	Proportion to total income.	Amount.	Proportion to total income.	Amount.	Proportion to total income.	
		Rs.	Rs.			Rs.		Rs.	
Madras	1889-90	76,53,951	46,78,354	61-15	3,93,033	5-13	25,82,564	33-74	
	1894-95	89,63,800	54,04,063	60-29	3,17,435	3-54	32,42,302	36-17	
	1907-08	1,56,70,508	72,24,717	46-11	28,42,440	18-14	56,03,349	35-75	
	1918-19	2,52,90,286	85,32,323	33-65	81,14,804	32-18	86,43,159	34-17	* Excluding tolls on ferries and roads.
	1925-26	3,29,98,271	1,15,27,471	34-93	1,01,09,901	30-64	1,13,60,899	34-43	
Bombay	1889-90	41,90,458	26,65,965	63-62	4,26,483	10-18	10,98,010	26-20	
	1894-95	45,84,085	25,45,560	55-52	9,08,911	21-14	10,69,614	23-34	
	1907-08	63,69,148	31,50,114	49-50	22,85,657	35-83	9,33,377	14-67	
	1918-19	1,06,12,595	29,92,808	28-20	63,27,030	59-63	12,92,757	12-17	
	1925-26	1,93,69,404	53,22,981	27-54	1,13,53,056	58-72	26,93,367	13-74	
engal	1889-90	62,73,403	34,32,574	54-73	10,98,148	17-51	17,42,681	27-79	
	1894-95	66,74,980	35,00,402	53-24	5,02,349	7-61	26,12,235	39-15	
	1907-08	63,40,046	34,06,194	53-72	6,86,113	10-83	22,47,739	35-45	
	1918-19	1,06,87,564	66,18,890	61-97	13,54,968	25-39	13,54,968	12-65	
	1925-26	1,25,84,267	76,24,613	60-70	30,71,530	24-45	18,68,124	14-85	

TABLE XI.

Statement showing the ordinary expenditure of rural boards during the years 1889-90, 1894-95, 1907-08, 1918-19 and 1925-26.

Province.	Year.	Total expenditure.	Principal items and proportion.						Remarks.
			Public Health and convenience (including medical relief).		Education.		Other heads.		
			Amount.	Proportion to total expenditure.	Amount.	Proportion to total expenditure.	Amount.	Proportion to total expenditure.	
Madras	1889-90	Ra.	Ra.	8-99	8,02,251	10-50	Ra.	80-51	
	1894-95	76,41,126	6,37,492	14-69	11,42,380	13-03	61,51,383	72-28	
	1907-08	87,59,474	12,85,033	5-36	19,47,079	13-20	63,32,061	81-44	
	1918-19	1,47,27,450	7,95,874	11-60	37,51,242	17-85	1,19,84,497	70-55	
	1925-26	2,10,04,904	24,36,995	9-71	81,06,317	25-81	1,48,16,667	64-48	
Bombay	1889-90	3,14,13,408	30,50,947	4-22	12,90,679	32-01	2,02,56,144	63-77	
	1894-95	40,32,776	1,70,637	5-14	15,31,992	31-23	25,71,460	63-63	
	1907-08	49,06,471	2,54,167	5-04	19,99,454	32-16	31,20,312	62-80	
	1918-19	62,16,811	3,14,793	6-30	53,49,028	51-30	39,02,564	42-40	
	1925-26	1,04,33,813	6,66,478	5-64	97,80,077	56-41	41,18,307	37-95	
Bengal	1889-90	1,73,48,153	9,82,187	0-68	10,04,140	16-25	65,85,889	83-07	
	1894-95	61,72,240	42,546	2-25	11,28,359	10-88	51,25,554	80-87	
	1907-08	66,77,267	1,51,212	6-12	11,70,390	17-05	53,96,996	76-23	
	1918-19	66,33,751	4,06,096	9-50	26,58,047	26-05	50,57,265	64-45	
	1925-26	1,02,37,988	9,88,214	16-10	30,46,609	24-19	65,91,727	59-71	
		1,26,47,871	20,23,881				75,77,381		

United Provinces .	1889-90	40,17,467	4,47,945	11-14	11,70,401	29-13	23,99,121	59-73
	1894-95	37,93,466	5,26,078	13-94	12,87,107	33-93	19,86,281	52-13
	1907-08	74,81,076	8,30,464	11-10	27,25,349	36-43	29,25,263	52-47
	1918-19	1,15,96,823	15,66,184	13-40	39,39,001	34-35	60,31,638	52-25
	1924-25*	1,77,89,303	23,21,644	13-05	86,90,881	48-69	68,06,778	38-26
Punjab .	1889-90	25,45,435	2,91,391	11-74	5,08,342	19-55	17,45,702	63-71
	1894-95	29,55,371	3,50,962	11-85	6,30,054	21-33	19,74,355	66-82
	1907-08	47,76,371	5,90,171	12-34	11,41,699	23-89	30,43,601	63-77
	1918-19	81,42,719	8,53,310	10-54	28,80,846	35-38	44,02,563	54-08
	1924-25*	1,40,79,455	16,98,431	12-06	62,18,968	44-18	61,62,056	43-76
Burma .	1889-90	Rural boards did not exist.						
Bihar and Orissa .	1889-90	Report not yet received.						
	1894-95	Formed part of Bengal.						
	1907-08							
	1918-19	77,70,053	8,05,491	10-37	15,88,090	20-44	53,76,472	69-19
	1925-26	1,34,68,324	17,02,855	12-64	36,63,325	27-20	81,02,144	60-16
Central Provinces .	1889-90	7,42,738	50,822	6-66	1,73,456	23-33	5,18,460	70-01
	1894-95	15,74,939	79,538	5-05	4,83,713	30-71	10,11,748	64-25
	1907-08	26,01,540	2,44,627	9-80	7,52,370	30-10	15,01,543	60-10
	1918-19	48,48,814	2,64,174	15-41	16,81,834	34-69	29,02,806	59-90
	1924-25*	66,39,011	4,55,892	6-97	25,49,368	38-98	34,86,422	54-05
Assam .	1889-90	11,34,568	35,521	3-10	1,52,197	13-30	9,46,850	83-60
	1894-95	12,86,563	71,871	5-50	1,81,812	14-10	10,32,880	80-40
	1907-08	46,26,809	3,27,224	7-21	13,66,579	30-20	28,32,006	62-59
	1918-19	20,34,924	3,00,462	14-67	7,95,673	39-15	9,38,789	46-18
	1925-26	32,75,510	5,14,933	15-72	10,46,409	31-94	17,14,168	52-34

* Later figures not available.

TABLE

Statement showing income of municipalities in India from principal

Province.	Year.	Total income from all taxes.	Incidence of taxation per head of population.	Octroi.		Terminal tax and toll.		Tax on houses and lands.	
				Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.
		Rs.	Rs. A. P.	Rs.		Rs.		Rs.	
Madras (excluding Madras municipal corporation).	1884-85	10,05,187	0 12 0	..	..	..	..	4,27,893	42-55
	1894-95	14,45,983	0 13 9	..	..	..	..	6,79,473	40-99
	1907-08	23,62,438	1 3 9	..	..	..	..	19,71,221	45-34
	1918-19	44,17,710	1 15 0	..	..	..	..	18,66,293	42-25
	1925-26	70,10,032	2 3 3	..	..	..	..	27,68,430	39-49
Bombay (excluding Bombay municipal corporation).	1884-85	23,13,048	1 3 5	14,06,079	63-38	..	..	2,60,195	11-63
	1894-95	37,84,000	1 10 8	23,34,888	61-69	..	..	5,38,286	14-23
	1907-08	45,14,000	1 14 9	21,20,051	46-94	..	..	7,44,751	16-50
	1918-19	77,30,710	3 4 1	19,80,355	25-60	14,28,124	18-46	12,54,742	16-22
	1925-26	1,53,99,561	5 11 0	28,21,582	18-44	34,85,854	22-77	26,81,469	17-52
Bengal (excluding Calcutta municipal corporation).	1884-85	19,47,414	0 12 9	..	..	..	..	11,35,590	58-32
	1894-95	23,13,485	0 13 7	..	..	..	..	8,10,912	35-28
	1907-08	34,97,065	1 7 6	22,344	0-64	..	..	13,37,442	38-58
	1918-19	51,33,109	2 9 1	..	..	..	..	18,87,170	36-77
	1925-26	62,11,892	3 1 5	..	..	..	..	22,58,288	36-36
United Provinces	1884-85	19,52,250	0 10 1	16,35,772	83-80	..	..	23,904	1-22
	1894-95	33,97,726	1 0 7	27,73,166	81-63	..	..	1,09,623	3-22
	1907-08	59,19,693	1 9 9	39,91,568	71-90	3,90,555	7-20	2,53,138	5-06
	1918-19	66,71,875	2 3 0	37,43,355	56-04	5,99,995	8-96	5,29,936	7-95
	1925-26	1,91,80,980	3 7 7	39,45,002	38-74	24,73,081	24-28	9,05,139	8-89
Punjab	1884-85	23,72,934	1 1 8	22,09,169	93-35	..	..	93,400	3-92
	1894-95	31,27,594	1 13 5	29,22,656	93-49	..	..	1,44,724	4-63
	1907-08	49,93,618	1 14 9	35,80,068	89-42	..	..	2,84,470	7-14
	1918-19	49,11,581	3 5 6	42,97,596	87-50	1,07,882	2-20	3,72,372	7-59
	1925-26	75,68,183	4 2 7	34,95,719	46-19	30,48,568	40-29	6,08,868	8-02
Burma (excluding Rangoon municipal corporation).	1884-85	6,30,197	* 1 1 0 † 13 11 0	..	..	..	..	3,32,843	52-82
	1894-95	6,12,925	* 9 13 5 † 11 1 9	..	..	..	..	4,31,093	70-35
	1907-08	13,69,809	1 15 7	..	..	..	..	6,52,168	47-04
	1918-19	19,99,462	2 14 1	..	..	..	..	8,16,104	49-67
	1924-25	30,02,729	3 11 1	..	..	..	..	13,63,195	45-40
Bihar and Orissa	1884-85							Figures included	
	1894-95								
	1907-08								
	1918-19	18,38,159	1 8 9	57,123	3-19	..	..	7,71,251	41-97
	1925-26	24,82,399	2 2 0	41,881	1-68	..	..	9,97,028	49-19

* For Upper Burma.

† For Lower Burma.

‡ Later figures not available.

XII.

taxes during 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26.

Tax on animals and vehicles.		Tax on professions and trades.		Water rate.		Conservancy rate.		Tax on circumstances and property.		Other taxes, e.g., Servants tax, Pilgrim tax, Dog tax.	
Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.
Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
68,663	6-83	1,45,894	14-51	..	..	..	..	..	..	3,62,827	30-19
1,62,084	11-21	2,41,742	10-72	16,944	1-17	..	..	..	..	3,55,740	23-01
2,63,233	11-35	2,22,763	0-42	3,29,828	13-05	..	..	..	..	4,70,393	19-99
3,73,404	8-45	3,32,792	7-53	8,93,701	20-23	..	..	..	..	9,51,526	21-54
6,75,060	8-21	7,28,397	10-30	12,38,986	17-68	..	..	..	..	16,90,159	24-23
82,815	3-58	5,815	0-25	..	..	1,71,967	7-43	..	..	32,717	14-14
1,00,796	2-07	9,208	0-24	2,11,928	5-60	2,37,169	0-26	..	..	3,52,571	9-31
1,45,853	3-24	15,942	0-35	6,97,775	15-40	3,47,790	7-71	..	..	4,42,201	0-79
2,69,893	3-48	17,400	0-22	16,00,852	20-70	5,84,048	7-54	..	..	6,01,296	7-77
5,03,476	3-28	54,847	0-35	33,10,954	21-03	13,38,112	8-74	..	..	11,13,267	7-27
1,72,026	8-87	131	0-00	..	..	2,75,111	14-13	2,23,307	11-47	1,40,349	7-20
1,88,265	8-14	36,317	1-50	44,020	1-95	4,50,747	19-50	..	..	7,76,324	33-67
2,33,510	0-73	59,823	1-72	3,65,056	10-54	8,02,987	23-17	..	..	6,45,303	18-02
2,36,452	4-60	1,19,110	2-32	8,44,102	16-44	12,81,774	24-08	..	..	7,64,483	14-80
2,54,910	4-13	1,37,050	2-20	10,79,039	17-37	16,21,868	26-10	..	..	8,60,101	13-84
12,000	0-64	1,20,440	0-64	..	..	14,222	0-72	49,014	2-51	87,229	4-47
46,756	1-34	1,46,445	4-32	1,82,026	5-36	19,318	0-50	..	..	1,21,392	3-57
52,873	1-01	1,63,142	3-26	3,02,432	6-04	44,207	0-89	31,531	0-62	2,01,157	4-02
1,13,472	1-72	1,55,923	2-34	7,28,087	10-93	04,226	1-42	3,72,981	5-60	3,36,300	5-04
1,79,650	1-75	1,29,028	1-27	1,39,818	13-60	1,32,886	1-35	2,79,420	2-74	7,43,747	7-33
2,350	0-08	..	..	808	0-02	14,001	0-58	..	..	1,225	0-05
33,437	1-07	978	0-03	3,197	0-10	5,505	0-17	..	..	17,007	0-54
49,540	1-23	..	..	40,714	1-16	0,900	0-17	..	..	35,320	0-88
14,032	0-28	18,503	0-37	6,813	1-37	4,171	0-08	..	..	30,152	0-01
1,02,418	1-35	7,721	0-10	1,94,029	2-57	11,248	0-14	50,040	0-06	51,572	0-08
41,191	6-53	..	..	72,032	11-43	84,807	13-45	..	..	99,324	15-77
34,067	5-50	3	0-00	13,154	2-11	42,599	0-96	..	..	92,000	15-02
48,113	3-53	..	..	1,07,537	7-00	2,29,119	16-83	..	..	3,23,872	23-80
80,300	4-01	..	..	1,81,277	9-26	4,30,301	21-60	..	..	4,91,480	24-55
98,309	3-27	8,500	0-28	2,44,031	8-16	5,55,177	18-49	..	..	7,32,036	24-40
in those for Bengal.											
1,38,335	7-53	27,427	1-49	1,31,745	7-16	4,45,560	24-23	..	..	2,00,709	14-50
2,09,584	8-46	47,042	1-82	2,68,087	10-81	6,35,154	25-60	..	..	2,83,533	11-44

Statement showing income of municipalities in India from principal

Province.	Year.	Total income from all taxes.	Incidence of taxation per head of population.	Octroi.		Terminal tax and toll.		Tax on houses and lands.	
				Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.
		Rs.	Rs. A. P.	Rs.		Rs.		Rs.	
Central Provinces including Benar (Hyderabad Assigned District).	1884-85	7,84,979	(a) 1 1 0	6,69,720	85-34	..	..	19,938	2-42
	1894-95	10,28,951	(b) 0 5 6	7,13,042	09-31	..	..	32,947	3-20
	1907-08	14,31,150	(a) 1 5 5	8,10,852	56-63	2,02,315	8-01	70,454	5-32
	1918-19	23,47,437	(b) 0 9 9	10,02,641	42-73	8,40,534	21-62	1,49,069	6-34
	1925-26	38,89,569	2 8 7	13,49,019	34-69	..	..	1,22,941	3-13
Assam	1884-85	47,040	0 11 3	..	..	..	..	29,601	62-08
	1894-95	93,885	1 2 10	..	..	..	..	44,519	47-43
	1907-08	9,18,003	1 7 5	..	..	..	..	2,79,792	30-40
	1918-19	3,67,777	2 12 11	..	..	..	..	1,22,233	33-25
	1925-26	5,50,930	3 5 5	..	..	..	..	1,68,244	30-21
Madras municipal corporation.	1884-85	8,08,021	1 5 10	—29,794	..	..	..	3,84,993	47-06
	1894-95	9,67,693	2 2 2	..	..	..	..	5,35,328	55-32
	1907-08	13,91,679	1 0 5	..	..	..	..	0,26,964	45-05
	1918-19	24,95,935	4 13 0	..	..	..	..	11,17,466	44-83
	1925-26	40,33,820	7 10 0	..	..	..	..	10,19,783	49-19
Bombay municipal corporation.	1884-85	42,10,846	3 14 4½	10,32,887	24-62	..	..	18,58,711	33-32
	1894-95	55,78,310	6 12 7	12,29,087	22-03	..	..	31,13,840	36-89
	1907-08	84,69,424	8 11 10	18,34,456	21-68	..	..	75,04,012	48-76
	1918-19	1,53,91,971	15 11 0	23,40,592	15-29	..	..	1,28,75,645	47-25
	1925-26	2,72,51,808	23 2 10	29,40,788	10-81	..	..	..	..
Calcutta municipal corporation.	1884-85	25,95,927	6 6 6	..	..	..	..	9,99,552	38-96
	1894-95	45,97,366	6 4 11	..	..	..	..	16,93,235	41-33
	1907-08	64,01,137	7 14 4	..	..	..	..	29,78,923	41-84
	1918-19	1,02,86,904	1 10 2	..	..	..	..	51,62,960	50-19
	1924-25	1,57,78,474	14 10 4	..	..	..	..	1,49,02,259	80-33
Rangoon municipal corporation.	1884-85	4,48,978	3 5 6	..	..	..	..	2,04,899	45-62
	1894-95	6,88,939	3 12 9	..	..	..	..	2,66,218	38-63
	1907-08	26,18,481	11 13 5	..	..	..	..	11,61,769	44-38
	1918-19	34,56,236	12 2 1	..	..	..	..	11,40,999	33-28
	1925-26	56,88,980	16 15 4	..	..	..	..	19,47,293	34-23

(a) For Central Provinces proper.
 (b) For Hyderabad Assigned Districts.
 * Including water rate.

XII—contd.

taxes during 1884-85, 1894-95, 1907-08, 1918-19 and 1925-26—contd.

Tax on animals and vehicles.		Tax on professions and trades		Water rate.		Conservancy rate.		Tax on circumstances and property.		Other taxes, &c., Servant tax, Pilgrim tax, Dog tax.	
Amount	Proportion to total income from taxation.	Amount	Proportion to total income from taxation.	Amount	Proportion to total income from taxation.	Amount	Proportion to total income from taxation.	Amount.	Proportion to total income from taxation.	Amount	Proportion to total income from taxation.
Rs		Rs		Rs		Rs		Rs		Rs.	
11,188	1 42	16,118	2 05	..	..	..	..	..	..	68,015	8 77
1,918	0 18	61,912	6 01	60,280	6 73	08,799	0 61	..	..	51,053	4 06
47,172	3 27	54,028	3 75	1,64,000	11 51	1,76,918	12 35	..	..	1,02,817	7 17
64,174	5 43	57,522	3 45	3,78,038	16 11	3,05,640	13 02	..	..	1,88,040	8 01
98,412	8 40	86,676	5 22	5,52,026	14 10	4,68,046	12 04	..	..	3,77,815	0 71
1,506	3 36	..	..	1,673	3 06	..	..	..	..	14,770	31 00
5,544	5 00	..	..	10,942	11 65	14,137	15 06	..	..	18,743	10 06
61,638	0 70	16,080	1 84	32,035	3 18	2,53,273	27 59	2,04,041	23 21	70,844	7 71
16,114	5 20	821	0 26	70,565	10 16	1,00,322	27 28	28,421	7 73	26,201	7 12
46,053	8 26	1,304	0 24	1,06,713	10 16	1,42,529	25 60	30,857	7 16	52,200	0 37
52,340	6 49	70,053	8 66	1,46,885	18 17	..	..	..	..	1,53,741	10 02
74,398	7 68	67,318	0 95	2,10,205	21 73	..	..	..	..	1,10,178	11 38
93,739	0 73	1,13,603	8 16	78,326	6 65	..	..	..	..	4,78,048	34 41
1,24,092	4 05	2,14,723	8 58	7,20,347	29 12	..	..	..	..	3,13,017	12 52
2,10,522	5 36	1,62,363	4 02	10,83,927	26 62	..	..	..	..	9,51,280	23 58
3,40,710	6 10	67,241	1 20	13,85,632	24 83	6,81,557	12 21	..	..	31,77,950	75 46
4,06,925	4 80	80,132	1 05	10,10,225	23 03	10,46,874	12 36	..	..	15,372	0 27
5,80,140	3 76	1,36,108	0 88	29,72,461	16 32	18,74,068	11 62	..	..	22,067	0 10
12,21,660	4 40	1,37,569	0 51	64,03,447	23 83	31,70,773	11 67	..	..	24,500	1 44
1,48,681	5 84	2,64,289	10 31	4,15,440	16 10	1,96,010	7 68	..	..	5,30,155	21 02
2,16,638	5 29	3,43,613	8 38	10,60,443	26 10	4,17,951	10 20	..	..	3,56,183	8 70
2,72,023	4 26	5,78,214	9 01	16,89,564	26 38	6,10,580	0 68	..	..	5,63,704	8 10
1,00,062	1 94	8,82,653	8 58	23,43,372	22 70	8,76,677	8 62	..	..	8,21,380	7 08
3,43,373	2 17	12,66,175	8 02	..	..	76,667	0 48	..	..	..	..
16,320	3 63	..	..	72,033	16 04	84,809	18 88	..	..	70,000	15 81
309	0 04	..	..	1,80,077	26 13	1,80,010	27 51	..	..	55,419	8 04
2,675	0 10	..	..	5,58,790	21 34	7,77,293	20 68	..	..	1,17,975	4 50
34,629	1 001	..	..	8,65,203	25 03	11,68,246	33 80	..	..	2,38,150	6 80
74,076	1 30	..	..	13,69,050	24 07	10,02,230	33 44	..	..	3,06,402	6 06

; Including conservancy rate.

TABLE XIII.

Statement showing income of rural boards in India from principal taxes during the years 1889-90, 1894-95, 1907-08, 1918-19 and 1925-26.

Province.	Year.	Total income from principal taxes.	Incidence of taxation per head of population.	Land Revenue.		Local rates.		Tolls on ferries and roads.	
				Amount.	Proportion to total income from principal taxes.	Amount.	Proportion to total income from principal taxes.	Amount.	Proportion to total income from principal taxes.
		Rs.	Rs. A. P.	Rs.		Rs.		Rs.	
Madras	1889-90	40,78,354	0 2 7	1,17,176	2.17	40,78,354	100	..	..
	1894-95	54,04,083	0 2 7	1,43,763	1.06	52,86,887	97.83	12,91,618	15.17
	1907-08	85,10,335	0 3 3	1,43,763	1.06	76,80,054	83.14	27,09,473	24.5
	1918-19	1,13,01,766	0 4 2	12,42,857	11.00	72,89,466	04.5	33,74,692	22.65
	1925-26	1,46,62,103	0 4 0	15,17,053	10.18	1,66,10,418	07.17	..	..
Bombay	1889-90	20,65,665	0 2 0	12,735	.5	20,65,665	100	..	..
	1894-95	25,46,560	0 2 5	1,03,872	2.94	25,32,825	66.6	3,66,251	10.02
	1907-08	35,36,865	0 2 10	3,00,800	11.02	36,46,242	86.14	3,66,043	10.93
	1918-19	33,61,851	0 2 7	4,38,760	7.56	26,02,068	77.40	5,24,876	8.48
	1925-26	58,47,857	0 5 1	..	..	48,84,221	83.52	..	..
Bengal	1889-90	34,32,574	0 0 11	..	..	34,32,574	100	..	..
	1894-95	35,06,462	0 1 0	..	..	35,00,462	166	3,41,118	6.1
	1907-08	37,47,312	0 1 2	7,334	.10	34,06,104	00.0	4,69,468	0.45
	1918-19	76,75,358	0 2 6	23,530	.26	60,11,556	93.45	5,00,368	0.10
	1925-26	81,24,021	0 2 0	..	..	76,01,674	03.55	..	..
United Provinces	1889-90	26,66,876	0 0 0	54,711	2.81	20,00,870	106	..	..
	1894-95	16,45,236	0 0 8	15,061	.86	18,06,528	67.10	4,76,332	11.95
	1907-08	46,06,834	0 1 2	36,757	.50	35,14,841	87.66	4,60,804	0.82
	1918-19	72,86,827	0 2 4	38,486	.48	67,92,360	93.18	5,85,411	7.37
	1924-25*	79,46,467	0 2 0	..	..	73,22,576	62.15	..	..
Punjab	1889-90	21,03,778	0 2 0	..	..	21,03,778	160	..	..
	1894-95	23,09,575	0 1 11	..	..	23,09,575	100	1,07,182	6.26
	1907-08	26,71,451	0 2 3	2,423	.06	25,04,269	63.74	..	..
	1918-19	41,46,227	0 4 7	28,234	.49	41,37,864	66.94	1,471	.93
	1924-25*	57,01,117	0 4 11	..	..	57,31,412	90.48	..	..
Burma	1889-90	..	..	..	..	..	..	..	..
	1894-95	..	..	..	..	..	..	..	..
	1907-08	..	..	..	..	..	..	..	..
	1918-19	..	..	..	..	..	..	..	..
	1925-26	..	..	..	..	..	..	..	..
Bihar and Orissa	1889-90	..	..	..	..	..	..	..	..
	1894-95	..	..	..	..	..	..	..	..
	1907-08	..	..	..	..	..	..	..	..
	1918-19	60,45,406	0 3 0	22,615	.38	57,00,214	95.28	2,62,571	4.34
	1925-26	80,74,564	0 3 10	207	.063	70,77,956	95.088	3,66,371	4.669
Central Provinces including Berar (Hyderabad and Assigned Districts.)	1889-90	2,78,695	0 0 0	..	..	2,78,695	100	..	..
	1894-95	6,25,281	0 0 6†	5,571	.0	6,19,710	99.1	..	..
	1907-08	9,39,197	0 1 4	..	..	8,92,535	95.03	46,062	4.67
	1918-19	12,54,414	0 1 5	..	..	11,67,001	93.08	86,813	0.92
	1924-25*	22,09,768	0 2 8	25,667	1.13	21,39,302	64.25	1,04,799	4.62
Assam	1889-90	5,32,098	0 1 8	..	..	5,32,098	106	..	..
	1894-95	9,40,381	0 2 1	..	..	6,40,381	160	..	..
	1907-08	20,59,590	0 1 3	25,422	.96	22,71,031	85.39	3,03,137	13.65
	1918-19	10,83,406	0 2 4	58,468	5.40	8,95,045	82.07	1,29,263	11.93
	1925-26	12,36,739	0 2 3	85,041	0.93	9,80,306	79.27	1,76,762	13.80

Rural boards were not in existence.

Report not received yet.

Formed a part of Bengal.

* Later figures not available.

† For C. P. proper.

‡ For Hyderabad Assigned Districts.

§ Including Eastern Bengal.

TABLE XIV.

Statement showing the number, income and expenditure of village authorities in India.

Province.	Number in 1926.	Income in 1925-26.	Expendi- ture in 1925-26.	Remarks.
		Rs.	Rs.	
Madras { Village panchayats	933	Information	not avail- able.	
{ Union boards	484	22,03,048	20,52,571	
Bombay	227*	4,23,328†	3,18,865†	* Figure for 1925. Later figures not available. † Excluding Bombay Suburban division and Sind wherein there are no panchayats.
Bengal { Union boards	2,260	44,19,579	44,10,918	
{ Union committees	159	82,776	80,941	
United Provinces	4,772‡	1,97,000	Information not readily available.	‡ Figure for 1927. Expenditure from panch- ayat funds is reported to be much less than in- come but is supple- mented by provincial grants.
Punjab	323	13,648	7,246	
B. & O. { Union boards	150	55,625	43,210	
{ Panchayats	120	1,673	408	
Central Provinces	80	16,868	16,499	
Assam	239	74,677	70,853	

NOTE.—There are no village panchayats in Burma.

**MEMORANDUM ON THE PROGRESS OF
EDUCATION IN BRITISH INDIA BETWEEN
1916 AND 1926.**

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PART II.

Statistical Tables.

PART I.

CHAPTER I.—INTRODUCTION.

The facts and figures given in the following chapters cover a period of five years prior to 1921, the year 1921 and the five years subsequent to 1921. The division of the eleven years from 1916 to 1926 into two distinct periods has, it is hoped, made it possible to compare the growth of education in the five years immediately preceding the introduction of the Reforms with its growth in the succeeding five years. The survey of education in both periods has necessarily been made very brief and consists largely of a comparison of the figures for the number of institutions and scholars in the years 1916, 1921 and 1926. It has not, however, been possible in all cases to obtain accurate or corresponding figures for the years 1916 and 1921 and in consequence a comparison of the years 1917 and 1922 has, in some instances, been substituted, but the occasional variation in the pivotal years has naturally not affected to any appreciable extent the general picture of expansion or the summary of the trend of events in either period.

In all the chapters the total figures for India include figures for the directly administered areas but exclude the figures for the Indian States. As explained, however, in the chapter on Primary Education, the figures for the directly administered areas are so small as not to influence one way or the other any deductions regarding the Governors' Provinces which may be made from the total figures. In all cases, except where otherwise stated, the figures given in the memorandum refer to recognised institutions only. It has not been considered necessary or desirable to include any account of the work of unrecognised institutions, since the great majority of such institutions are religious in character and teach no part of the general school course. In order, however, to be able to appreciate the relative number of recognised and unrecognised institutions the following total figures for British India are given :-

	1916.	1921.	1926.
Recognised Institutions . . .	151,201	172,552	203,097
Number of scholars . . .	6,953,208	7,774,692	9,892,703
Unrecognised Institutions . . .	38,017	33,606	31,726
Number of scholars . . .	634,288	601,074	621,618

The figures for expenditure given in the memorandum, unless otherwise stated, relate to direct expenditure only. Direct expenditure includes all expenditure on education other than expenditure on Direction, Inspection, Universities, Buildings, Equipment, Scholarships, Hostel Charges and other contingent charges. In estimating the cost of education generally and the cost of particular classes of education reference has been made to the expenditure from "other sources". The term "other sources", in this connection, includes income from endowments, subscriptions, contributions, etc.

In attempting to present an accurate statistical picture of the position in each of the Provinces difficulties are constantly arising owing to differences in classification, some of which are explained in the chapters on primary and secondary education. In recent years the All-India Educational Tables have classified recognised educational institutions so as to include Universities, Arts Colleges, Professional Colleges, High Schools, Middle Schools, Primary Schools and Special Schools; Middle schools being subdivided into English and Vernacular schools. But for the purposes of this memorandum all high and middle schools have been classified as secondary schools. It has, however, to be remembered, as has been pointed out elsewhere, that while in some provinces, such as Madras and Bombay, middle schools are actually incomplete secondary schools, in other provinces, such as the Punjab and the United Provinces, vernacular middle schools are really only upper primary schools. It may be further noted that in the United Provinces Intermediate Colleges are classified as secondary schools, whereas in other provinces they are classified as colleges. The classification "Special Schools" includes Art Schools, Law Schools, Medical Schools, Training Schools for teachers, Engineering Schools, Technical and Industrial Schools, Commercial

Schools, Agricultural Schools, Reformatory Schools, Schools for Defectives, Schools for Adults and other schools. Under "other schools" are included schools for oriental study, which teach no part of the secular school course and, in some provinces, music schools, sessional schools, part-time schools and night schools, though the classification is not uniform in all the provinces. The indigenous schools for oriental and religious study, which also teach a part of the general school curriculum, are with few exceptions classified as primary schools and include Maktabas, Mulla schools, Koran schools, Tols and Pathshalas. Briefly stated Maktabas, Mulla schools and Koran schools are Muhammadan schools with Islamic teaching and Tols and Pathshalas are Hindu schools with Sanskrit teaching.

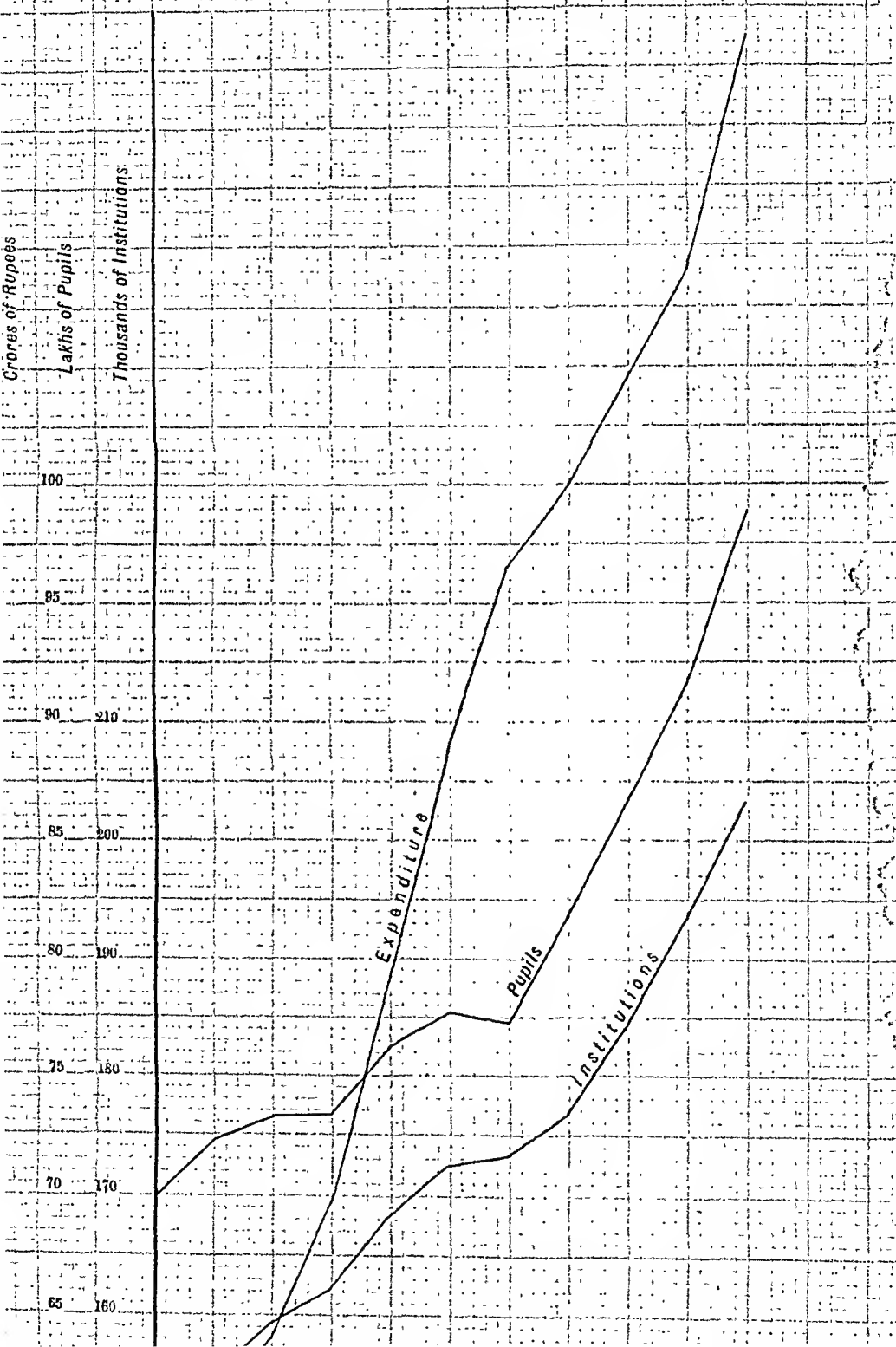
All recognised institutions are divided into publicly managed and privately managed schools. Publicly managed schools are those under the direct management of Government or of Local or Municipal Boards. Privately managed schools, both aided and unaided, are managed by mission bodies, by associations or by private individuals.

The memorandum does not pretend to give a complete history or picture of all forms of educational activity in British India. nor has it attempted to discuss the character of the education imparted or the teaching methods employed. It has, on the other hand, been purposely limited to an account of the expansion of educational facilities ordinary as well as vocational and technical, for the people of India as a whole, and for members of particular communities. It will perhaps be appreciated that such an account, dealing with education in nine provinces over a period of eleven years and compressed into a necessarily brief space as possible, must naturally appear largely statistical in character and must exclude much descriptive detail.

CHAPTER II.—THE EVOLUTION OF EDUCATIONAL POLICY IN BRITISH INDIA.

Prior to 1813, in which year the East India Company first became partially responsible for the control and maintenance of educational institutions, there was no uniform or settled system of education in India. There were, however, recognised seats of Sanskrit and Arabic learning and large numbers of indigenous institutions, of an elementary type, such as Tols, Madrasahs, Pathshalas and Maktabas, the efficiency of which varied with the nature of the private support extended to them. Education in all these institutions was largely religious in character and schools were in most cases attached to mosques and shrines. The higher education of Muhammadans and Hindus was, of its kind, fairly well provided for in well known centres of learning where Pandits expounded Sanskrit grammar, logic, philosophy and law and Arabic and Persian scholars taught grammar, logic, literature and science. But the village schools imparted a very rudimentary form of education and the education of girls was almost entirely neglected.

pupils in them and total Expenditure on them.



The East India Company did not at first assume any direct responsibility for education but individual officers of the Company and Christian Missionaries began at an early date to found educational institutions and to give their support to private enterprise. The interest of the officers of the Company was, however, almost entirely devoted to the advancement of oriental learning and traditional methods of instruction were supported rather than interfered with. Notable examples of the efforts of individuals were the founding of the Calcutta Madrassa by Warren Hastings in 1781 and the establishment of a Sanskrit College at Benares in 1792 by Jonathan Duncan, the British Resident. The Calcutta Madrassa, which was for some time financed by the Governor-General himself, was intended for the study of Arabic and Persian and the Sanskrit College at Benares was "designed to cultivate the literature and religion of the Hindus".

By the end of the 18th Century members of Parliament and British officials in India were becoming more and more alive to the necessity for the adoption of a systematic policy in the matter of education and to the fact that the Company must sooner or later shoulder responsibility for the same.

In 1792 Charles Grant, a servant of the East India Company, wrote a treatise on the improvement of the morals of Asiatic subjects and later submitted it to the Court of Directors and in the same year Wilberforce carried a resolution in Parliament to the effect that "it is the peculiar and bounden duty of the British Legislature to promote, by all just and prudent means, the interest and happiness of the inhabitants of the British dominions in India and that for these ends such measures ought to be adopted as may gradually tend to their advancement in useful knowledge and to their religious and moral improvement".

From the point of view of future developments the most interesting portion of Grant's treatise was the declaration in favour of the English language as the vehicle for imparting Western ideas.

In 1811 Lord Minto, the Governor-General, in a minute on the subject of education in India, described what he considered to be the backward state of learning and recommended that two new colleges for Hindus and two for Muhammadans, with public libraries attached, be opened and that grants be paid to distinguished teachers for instruction imparted at their homes. Two years later, mainly at the instigation of Wilberforce, when the Company's Charter was renewed by the Act of 1813, a clause was inserted in the Charter which made provision for the giving of regular assistance to education from public funds and which empowered the Governor-General to set apart the sum of one lakh in each year for "the revival and improvement of literature and the encouragement of the learned natives of India and for the introduction and promotion of a knowledge of the sciences among the inhabitants of the British territories in India". This clause was the first legislative admission of the right of education to share in the public revenues. Consequent on the Act of 1813 the Court of Directors issued their first educational despatch in 1814 which announced the sanction of the grant and discussed its disposal.

Once the principle of regular state aid had been established, some organisation was necessary to initiate and control development and to disburse grants and this was in part provided for by the establishment of General Committees of Public Instruction for Bengal (1823) and Madras (1826) and later by the creation of a Board of Education in Bombay (1840). It was not in fact until the year 1821, after surveys had been made of the state of education in Bengal and Madras, that the grant sanctioned in 1813 was fully appropriated for the purposes for which it was allotted, but in the years subsequent to 1823 far larger sums than the stipulated one lakh were annually granted. Meanwhile private enterprise had been active in establishing new institutions and the period 1792 to 1835 witnessed a struggle for supremacy between those who advocated the development of education on the traditional oriental lines and those who demanded a more modern form of culture, with instruction in the vernaculars and in English. The former included many prominent officers of Government and for a time the Government itself appeared to favour the "Orientalists"; while the latter included missionaries, advanced Indian thinkers, like Raja Ram Mohan Roy, and a few officials of Government. The gradual disuse of Persian as the language of judicial and revenue proceedings, the growing need for public servants with a knowledge of the English language and the foundation of privately managed and mission managed institutions for the promotion of the vernaculars and of English all helped to pave the way for the ultimate acceptance of the principles laid down by Lord Macaulay in his well-known minute of 1835. The essence of his minute was contained in his recommendations "to form a class who may be interpreters between us and the millions whom we govern"; to leave it to that class "to refine the vernacular dialects of the country, to enrich these dialects with terms of science borrowed from the Western nomenclature, and to render them by degrees fit vehicles for conveying knowledge to the great mass of the population" and to "establish in the principal cities throughout the Presidencies of Fort William and Agra schools in which the English language might be well and thoroughly taught". Lord Bentinck, the Governor-General, in a resolution published the same year, endorsed Macaulay's views and directed that the funds of Government should be employed to promote the knowledge of European literature and science. The Resolution further indicated that the oriental institutions already in existence would be retained, but that no stipends would in future be given to students attending them. Though this Resolution marked a definite stage in the development of English education, the controversy over the classical languages was not altogether dead and strenuous efforts were made by the "Orientalists" to have the Resolution rescinded. Lord Auckland, however, who had succeeded Lord Bentinck as Governor-General, reviewed the whole situation in his minute of 1839 and decided that "although English was to be retained as the medium of the higher instruction in European literature, philosophy and science, the existing oriental institutions were to be kept up in full efficiency and were to receive the same encouragement as might be given to the students at

at English institutions. Vernacular instruction was to be combined with English, full choice being allowed to the pupils to attend whichever tuition they might individually prefer”.

After 1835 the establishment of Government schools and colleges progressed rapidly. Inspectors were appointed in Bengal and Bombay and the State's responsibility for education was increasingly recognised until in 1854, by a Despatch of the Court of Directors, the organisation and control of education became the definite duty of Government.

In this despatch the Court of Directors announced their decision that in future the Government should actively assist in the more extended and systematic promotion of general education in India and prescribed the following measures for carrying out this policy :—the constitution of a separate department for the administration of education ; the institution of universities at the Presidency towns ; the establishment of institutions for training teachers for all classes of schools ; the maintenance of the existing Government Colleges and high schools and the increase of their numbers when necessary ; the establishment of new middle schools ; increased attention to vernacular schools for elementary education and the introduction of a system of grants-in-aid. The despatch further expressed sympathy for the cause of female and Muhammadan education, recommended the institution of a comprehensive system of scholarships to connect all grades of the educational system, advocated the opening of schools and colleges for technical instruction, indicated the necessity for the creation of a trust-worthy body of public servants, and laid stress on a policy of perfect religious neutrality.

The policy laid down by the despatch of 1854 was confirmed, after the passing of the East India Company, by a despatch of the Secretary of State in 1859. The latter despatch also reviewed the progress made since the despatch of 1854 and advocated the adoption of further steps for the promotion of elementary education, including the levy of a special rate on the land to provide adequate means for financing vernacular education.

Events have occurred since 1859 to modify the policy laid down by the despatches of 1854 and 1859 but no large change has taken place in the system outlined in those despatches.

The years immediately subsequent to 1854 witnessed the establishment of Departments of Public Instruction in all the provinces, the founding of the Universities of Calcutta, Madras and Bombay and a rapid growth in the number of schools and colleges all over India.

In 1882 an Educational Commission was appointed in India and the Commission reviewed the progress of education since 1854 and submitted detailed recommendations. No large change in policy, however, resulted from the acceptance by the Government of India of most of the Commission's recommendations. In the main the Commission's report endorsed the findings of the despatch of 1854 and merely outlined proposals for the further carrying out of the principles of that despatch.

The recommendations of the Commission which have had the most effect on subsequent Government policy were those concerned with the need for a more extensive programme of expansion in primary education, the development of the grant-in-aid system, the control of primary schools by local bodies and the stimulation of private enterprise in school management in preference to direct Government control.

The acceptance of these recommendations, coupled with the announcement of policy made in the Resolution of 1884 issued by Lord Ripon's Government and the local self-Government acts of 1893 to 1885, paved the way for a gradual devolution of the management of Government schools upon Municipalities and District Boards.

Until the year 1900 there were no further events which led to any material modifications in the policy laid down in 1884. But in 1900 the Secretary of State drew the attention of the Government of India to the necessity for the continuance of Government control, guidance and assistance in higher education and for the maintenance of a number of Government schools and in 1901 Lord Curzon summoned an educational conference which was followed by the appointment of the Indian Universities Commission of 1902, the passing of the Indian Universities Act of 1904 and the publication of the Government of India's resolution on Indian Educational Policy in March 1904.

The Resolution of 1904 was comprehensive in character and reviewed the state of education in all its departments. In regard to collegiate education the Resolution announced that, as a result of the recommendations of the Universities Commission of 1902, the Government had decided to reconstitute the Indian Universities so as to provide for the statutory recognition of the privilege of electing members to the Senates, the enlargement of the powers of the Universities in the matter of the control, inspection and affiliation of colleges and the undertaking by the Universities themselves of teaching and research work. On the main question of the control of education the Resolution accepted the policy advocated by the Commission of 1882 but laid stress on the necessity for adequate safe-guards. The following passage from the Resolution summarises the intentions of Government:—

“The progressive devolution of primary, secondary and collegiate education upon private enterprise and the continuous withdrawal of Government from competition therewith was recommended by the Educational Commission in 1883 and the advice has generally been acted upon. But while accepting this policy, the Government of India at the same time recognise the extreme importance of the principle that in each branch of education Government should maintain a limited number of institutions, both as models for private enterprise to follow and in order to uphold a high standard of education. In withdrawing from direct management it is further essential that Government should retain a general control, by means of efficient inspection over all public educational institutions.”

As regards primary education the Resolution reiterated the recommendation of the Commission of 1882 that "the elementary education of the masses, its provision, extension and improvement should be that part of the educational system to which the strenuous efforts of the State should be directed in a still larger measure than before" and concluded that primary education should be made a leading charge upon provincial revenues. The Resolution further directed that the educational budget estimates of local bodies should be submitted through the Directors of Public Instruction before sanction and that every endeavour should be made to adapt the instruction in rural schools to the immediate needs of the agricultural community. The review of secondary education in the Resolution, led to the conclusions that it was "essential to promote diversified types of secondary education, corresponding with the varying needs of practical life," that school leaving examinations should be held at the end of the secondary course and that the study of the vernacular should be in all cases continued until the end of the school course. In regard to technical education the Resolution emphasised the necessity for adjusting such education to the needs of Indian industries and announced the intention of Government to give assistance in the form of scholarships to enable selected students to undergo training in Europe and America. Finally the Resolution laid down the lines of policy to be adopted in regard to the extension of facilities for the training of teachers, the provision of libraries for schools and for the public and the opening of hostels attached to schools and colleges.

The comprehensive instructions contained in the Resolution of 1904 were followed in the next few years by the assignment to the provinces of large Imperial grants mainly for university, technical and elementary education.

In 1910 the importance attached to educational development was indicated by the formation of a separate Department of Education at the Government of India, education having previously been dealt with in the Home Department.

The visit of His Imperial Majesty the King Emperor to India in the autumn of 1911-12 was the occasion for two important announcements affecting education. At the Coronation Durbar His Imperial Majesty promised a recurring grant of 50 lakhs for popular education and in his reply to an address from the Calcutta University His Majesty again indicated, in memorable words, the extent to which he regarded the progress of education as vital to the future welfare of India.

In the following year, 1913, the Government of India again reviewed, in a Resolution, the whole field of educational work and summarised the Government's educational policy. The Resolution advocated the establishment of smaller universities of the teaching type; reaffirmed the policy of reliance on private effort in secondary education; recommended the adoption of a system of school leaving certificates, an increase in the salaries of teachers and an improvement in the amounts of grant-in-aid; fixed the minimum pay of trained teachers in Public elementary schools

and insisted on proper attention being paid to the formation of character in the tuition giving to scholars in all grades.

The Resolution further discussed the desirability of imparting manual instruction and instruction in hygiene ; the necessity for medical inspection ; the provision of facilities for research ; the need for the staffing of girls schools by women teachers and the expansion of facilities for the training of teachers. The policy outlined on the 1913 resolution materially affected progress in the provinces, but the educational developments foreshadowed were in many cases delayed owing to the effects of the war.

The only other events of importance which influenced educational policy, during the period within the purview of this chapter, were the appointment of the Calcutta University Commission in 1917 and the publication of its report in August 1919.

The scope of the recommendations of the Commission was obviously primarily intended to be limited to the reorganisation of the Calcutta University, but many of the criticisms and recommendations of the Commission admitted of much wider application and profoundly influenced the development of university and secondary education all over India. The Government of India itself realised the far-reaching nature of the Commission's findings and issued a resolution in January 1920 in which it was stated " it is thought that an expression of view by the Government of India on certain points connected with the Report may not be without use in provinces other than Bengal. for, though it is fully recognised that conditions elsewhere differ widely from those in that Presidency and though the Government of India have naturally no desire to thrust upon other Local Governments and the Universities schemes which result from an investigation of affairs in Bengal and in Calcutta, nevertheless some of the recommendations made by the Commission are likely to be found valuable for wider application." In particular the Government of India suggested that the following lessons taught by the Report might receive special attention :—the failure of high schools to give that breadth of training which the developments of the country and new avenues of employment demanded ; the necessity for the recognition of the intermediate section of University education as a part of school education and the desirability of mitigating the defects of the system of affiliated colleges by the establishment of a strong central teaching body and by the incorporation, as occasion arises, of unitary universities.

Subsequent to 1921, when education became a provincial transferred subject entrusted to the charge of Ministers responsible to the provincial legislatures, no important pronouncement on educational policy has been made by the Government of India.

CHAPTER III.—EXPENDITURE ON EDUCATION.

In 1916 the total direct and indirect expenditure on education in British India was Rs. 11,08 lakhs ; in 1921, Rs. 16,77 lakhs and in 1926, Rs. 22,78 lakhs.

Between 1916 and 1921 the total expenditure increased by 51·4 per cent. and between 1921 and 1926 by 35·8 per cent.

To the total expenditure in 1916 Government funds contributed 35·7 per cent., Local Board funds 20·4 per cent. fees 27·4 per cent. and other sources 16·5 per cent. The corresponding figures for the years 1921 and 1926 were :—1921,—46·1, 14·0, 22·5 and 17·4 per cent. and 1926,—47·8, 14·3, 21·6 and 16·3 per cent. respectively.

The fall in the contribution from Local Boards and the rise in the contribution from Government funds between 1916 and 1921 cannot be accepted as accurate indications of the progress of expenditure. since in 1916 large contributions to local bodies by Government were classified as "Local Board" expenditure. The fall in fee income in both periods was due to increased fee concessions and to the introduction of free primary education in a large number of areas.

The following table shows the percentage of direct expenditure on University, Secondary, Primary and Special education to the total expenditure in each of the years 1916, 1921 and 1926 :—

	Percentage to total expenditure in		
	1916.	1921.	1926.
University	8·9	9·0	8·4
Secondary	26·7	26·8	27·7
Primary	25·4	27·0	27·9
Special	6·4	6·9	7·0

The figures show that no marked change has taken place in the proportion of expenditure on any particular class of education and that the proportion of expenditure on primary education has slightly increased. The variations in the proportion of expenditure spent on secondary and primary education in the provinces have been discussed in the chapters on secondary and primary education.

In 1921 Government funds met 52·8 per cent. of the total direct expenditure on University Education, 30·9 per cent. of the expenditure on secondary education and 47·8 per cent. of the expenditure on primary education. The corresponding figures for the year 1926 were 51·5, 34·6 and 51·1 per cent. respectively.

The following tables (a) and (b) give the total revenue, the expenditure on education by Government and the percentage of such expenditure to total revenue in each of the Governors' provinces in the years 1921-22 and 1925-26. Table (c) shows the percentage of increase in revenue and the increase or decrease in the percentage of educational expenditure from Government Funds to total revenue between 1922 and 1926. The figures for total expenditure include direct and indirect expenditure.

(a)

1922.

	1	2	3
	Revenue.	Educational expenditure.	Percentage of Educational expenditure to total revenue.
	Rs. (lakhs).	Rs. (lakhs).	
Madras	11,75	1,58	13.4
Bombay	13,11	1,70	12.9
Bengal	8,32	1,35	16.3
United Provinces	10,02	1,56	15.5
Punjab	7,10	87	12.2
Burma	9,18	46	5.0
Bihar and Orissa	4,43	49	11.0
Central Provinces	4,72	51	10.8
Assam	1,82	22	12.0

(b)

1926.

	1	2	3
	Revenue.	Educational Expenditure.	Percentage of Educational Expenditure to total Revenue.
	Rs. (lakhs).	Rs. (lakhs).	
Madras	14,71	1,88	12.7
Bombay	15,24	1,92	12.5
Bengal	10,70	1,44	13.4
United Provinces	10,87	1,79	16.4
Punjab	11,52	1.33	11.5
Burma	10,69	83	7.7
Bihar and Orissa	5,79	58	10.0
Central Provinces	5,35	58	10.8
Assam	2,50	23	9.2

(c)

	Percentage of increase in Revenue between 1922 and 1926.	Increase or decrease in percentage of expenditure on education to total Revenue.
Madras	25.1	—0.7
Bombay	16.2	—0.4
Bengal	28.6	—2.9
United Provinces	8.4	+0.9
Punjab	62.2	—0.7
Burma	16.4	+2.7
Bihar and Orissa	30.7	—1.0
Central Provinces	13.3	Nil
Assam	37.3	—2.8

The above figures show that only two provinces, the United Provinces and Burma, have increased the proportion of their total revenue spent on education since 1922, though the percentage of expenditure on education to the total revenue for all the provinces together has only decreased from 12.4 to 12.1. It is clear that there has been no direct relationship between increase in revenue and increase in educational expenditure since Bengal, Assam, Bihar and Orissa, Madras and the Punjab, all of which improved their revenues by over 25 per cent. show the largest fall in the percentage of educational expenditure, while the United Provinces and Burma, both of which increased their revenues by under 17 per cent., show an increased percentage of expenditure on education.

The following tables give the revenues per head of population and the educational expenditure per head of population for all the provinces in the years 1922 and 1926 :—

Revenue per head of population.

	1922.	1926.
	Rs.	Rs.
Madras	2.7	3.4
Bombay	6.7	7.8
Bengal	1.7	2.2
United Provinces	2.2	2.3
Punjab	3.4	5.5
Burma	6.9	8.1
Bihar and Orissa	1.3	1.7
Central Provinces	3.3	3.8
Assam	2.4	3.2

Expenditure on education per head of population.

	1922.	1926.
	Rs.	Rs.
Madras	0.37	0.44
Bombay	0.87	0.99
Bengal	0.28	0.30
United Provinces	0.34	0.39
Punjab	0.42	0.64
Burma	0.34	0.62
Bihar and Orissa	0.14	0.17
Central Provinces	0.36	0.41
Assam	0.28	0.30

The figures for the revenue and expenditure per head of population have been given in order to obtain an idea of the relative position of the provinces in regard to educational expenditure. Without population figures the mere totals of revenue and expenditure will not give an accu-

rate picture of the relative position of each province. This may be illustrated from the fact that in 1926, Burma, which was only sixth in the list of total revenues and in the list of total educational expenditure, had the highest revenue per head of population and was third in the list of expenditure per head of population.

It is also obvious that the population of a province is no indication of the extent of the revenues of that province. Bombay, for example, which both in 1922 and 1926 had the largest revenue of any province in India, stands only sixth in total population and Bengal which has the largest population was, in both years, only fifth in the list of total revenues. It might be expected, however, that a province with a large population would ordinarily spend a relatively high percentage of its revenue on education and that there would be a direct relationship between the revenue per head of population in any one province and the expenditure on education per head of population. Actually taking the figures for the years 1922 and 1926 these assumptions have, approximately, been realised. In 1922 the first three provinces in order of total population were Bengal, the United Provinces and Madras and the same order was maintained for the percentage of educational expenditure to total revenues. The only large variation between total population and percentage of expenditure occurred in the provinces of Bihar and Orissa and Assam. Bihar and Orissa was fourth in order of total population and only seventh in order of percentage of expenditure and Assam with the smallest population was sixth in order of percentage of expenditure.

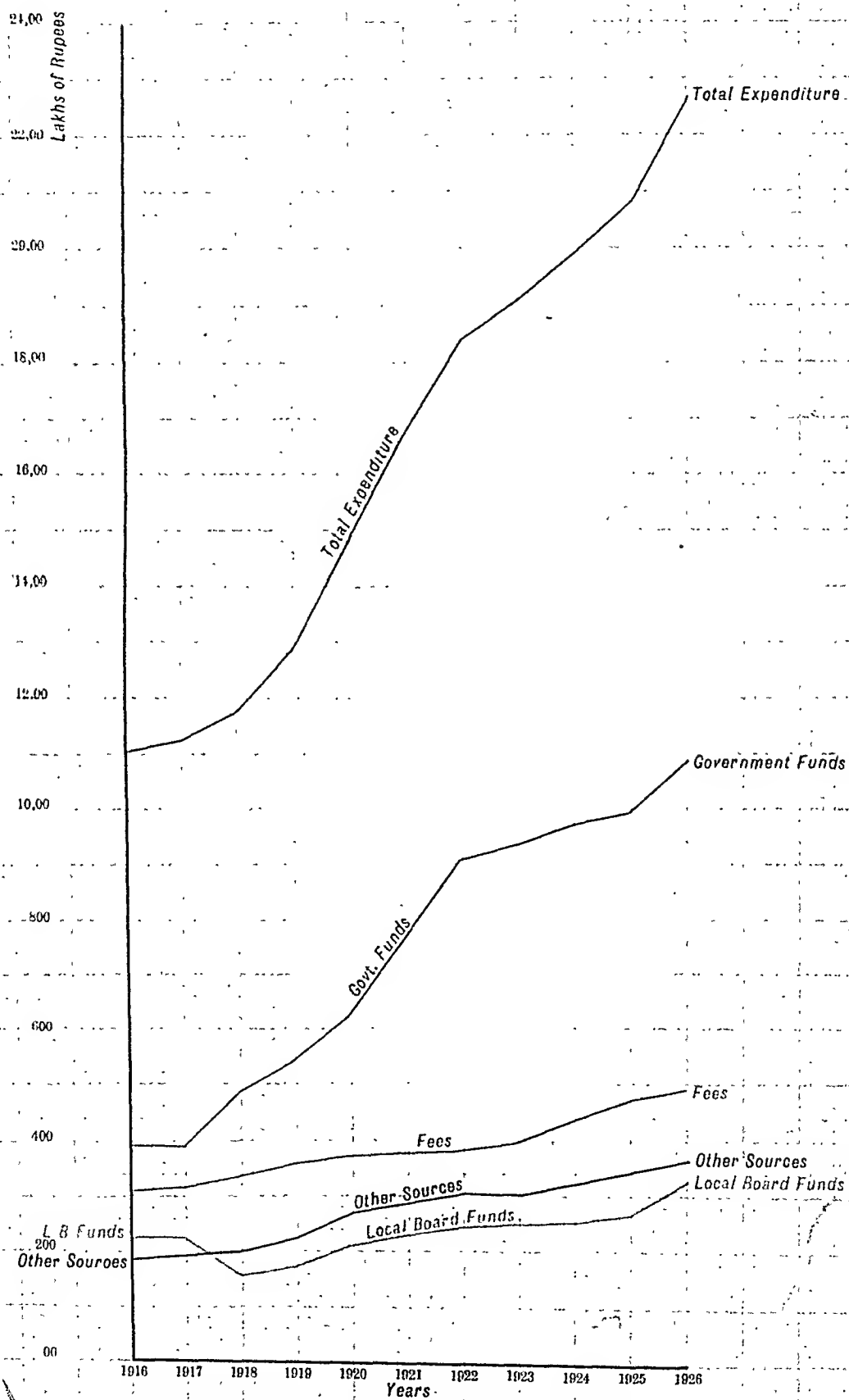
If the expenditure per head on education had corresponded to the revenue per head of population the order of the Provinces in 1922 would have been Burma, Bombay, Punjab, Central Provinces, Madras, Assam, United Provinces, Bengal and Bihar and Orissa. The actual order in regard to expenditure per head was Bombay, Punjab, Madras, Central Provinces, United Provinces and Burma, Assam and Bengal, and Bihar and Orissa. It will be seen that with the exception of Burma the position of all the provinces in the order of expenditure per head of population approximated to their position in order of revenue per head of population.

In 1926, with the exception of Bihar and Orissa, there was again little difference between the order of the provinces in regard to total population and their order in regard to percentage of expenditure.

Similarly the order of the provinces in regard to expenditure per head of population approximately corresponded to their order in the list of revenue per head of population and in 1926 the position of Burma improved from fifth in the list of expenditure per head of population to third.

The average cost of educating a scholar in British India taking all stages of instruction together and including direct and indirect expenditure, was Rs. 16 in 1926, Rs. 22 in 1921 and Rs. 23 in 1926. The large rise in cost per head between 1916 and 1921 was the natural result of the rapid rise in the cost of living during the war and the period immediately following the war.

Graph showing the growth of the total Expenditure on Education, Expenditure from Government Funds, Board Funds, fees and other sources, in British India.



Between 1916 and 1921 all the provinces recorded a rise in the average cost of educating a pupil, Bombay, the Punjab and Burma showed the largest increases, from Rs. 20 to Rs. 29 in Bombay, from Rs. 28 to Rs. 37 in the Punjab and from Rs. 17 to Rs. 26 in Burma. The smallest rise in cost occurred in Bengal, from Rs. 14 to Rs. 16.

Between 1921 and 1926, 5 provinces, Bombay, Bengal, United Provinces, Burma and Assam again recorded an increase in average cost, the largest increase being from Rs. 29 to Rs. 36 in Bombay. Madras, the Punjab, Bihar and Orissa and the Central Provinces showed a decrease in cost, the largest decrease being from Rs. 37 to Rs. 26 in the Punjab.

In 1926 the average cost of educating a scholar was highest in Bombay and lowest in Bihar and Orissa, the figures for the provinces being:— Madras Rs. 18, Bombay Rs. 36, Bengal Rs. 17, United Provinces Rs. 26, Punjab Rs. 26, Burma Rs. 28, Bihar and Orissa Rs. 11, Central Provinces Rs. 18 and Assam Rs. 16. The variation in cost between province and province can be explained by a number of causes such as difference in cost of living, difference in average enrolment per school, difference in capital expenditure, difference in pay of teaching staff and difference in density of population. It has not been possible to investigate all the causes for the position of each province, but the relative density of population in Bombay, Bengal, Burma and Bihar and Orissa would appear to have influenced the average cost in these provinces and in Bengal, Bihar and Orissa and in Assam the pay of primary school teachers is noticeably lower than in other provinces, while in Bombay it is very much higher.

The average cost (direct expenditure only) of educating a scholar in an Arts College increased largely in all the provinces between 1916 and 1921, but fell in five provinces between 1921 and 1926, an increase occurring only in Bombay, Bengal, Burma and Bihar and Orissa. In 1926 the average cost was highest in the Central Provinces (Rs. 337) and lowest in Bengal (Rs. 145).

The average cost of educating a scholar in a secondary school rose in all provinces between 1916 and 1921 and again rose between 1921 and 1926 in all provinces except the Punjab, Bihar and Orissa and Assam. In 1926 the average cost varied from Rs. 75 in Bombay to Rs. 21 in the Punjab.

The average cost of educating a scholar in a primary school varied in 1916 from Rs. 10 in Bombay to Rs. 3 in Bengal and in 1921 it varied from Rs. 17 in Bombay to Rs. 4 in Bengal. Between 1921 and 1926 the average cost increased in six provinces and remained constant in the other three provinces. In 1926 the cost was highest in Bombay (Rs. 20) and lowest in Bengal (Rs. 4), the figures for the other provinces being Madras Rs. 7, United Provinces Rs. 8, Punjab Rs. 9, Burma Rs. 7, Bihar and Orissa Rs. 6, Central Provinces Rs. 11 and Assam Rs. 5.

CHAPTER IV.—PRIMARY EDUCATION.

The total figures for India, given in this and subsequent chapters, of the number of schools and scholars include the figures for administrative areas other than Governors' Provinces, but the latter figures are so small as not to affect materially any deductions regarding the Provinces which may be made from a comparison of the totals.

In considering the figures for Primary Education it has to be remembered that exactly similar methods of classification have not been adopted by all Provinces. In Madras and Bombay "Primary schools" include all elementary schools with standards from one to eight, standards six, seven and eight of which are in other provinces classified as "vernacular middle" or secondary schools. Primary schools in other provinces include in some cases schools with standards from one to four, in some cases schools with standards from one to five and in other cases schools with standards from one to six. In order therefore to give a more complete picture of the extent of primary education separate figures have been given in this chapter showing the number of pupils reading in the first five primary classes of all grades of institutions. The total figures for India and the Provinces include details for certain types of schools such as Pathshalas (Sanskrit Schools) and Maktabas (Islamic Schools) which were classified prior to 1916 as special schools and details for night schools not classified as schools for adults.

The total number of recognised primary schools in British India in 1916 was 138,089 with an enrolment of 5,638,244 scholars. The corresponding figures for the years 1921 and 1926 were as follows :—

1921—159,345 schools with 6,327,973 scholars ;

1926—183,164 schools with 7,799,076 scholars.

Between 1916 and 1921 the number of schools increased by 21,256 or by 15 per cent. and the number of scholars increased by 689,729 or by 12 per cent.

Between 1921 and 1926 the number of schools increased by 23,819 or by 15 per cent. and the number of scholars increased by 1,471,103 or by 23 per cent.

Between 1916 and 1921 the rate of increase for male scholars only was 10·2 per cent. and between 1921 and 1926 it was 24·3 per cent. The corresponding figures for female scholars only were 21·9 per cent. and 18·5 per cent.

In 1916 the percentage of scholars in primary schools to the total population was 2·3, in 1921 it was 2·5 and by 1926 it had risen to 3·1.

A more accurate appreciation of the extent of primary education can be obtained from the figures for the primary classes of all grades of schools. These show that in 1917 there were in the five lowest classes a total of 6,352,512 scholars, in 1921, 6,909,896 scholars and in 1926, 8,793,377 scholars.

Between 1917 and 1921 the number increased by 8·7 per cent. and between 1921 and 1926 by 25·9 per cent.

Accurate figures are not available for the number of children of school-going age (approximately 6 to 11) actually reading in school. But the extent to which the methods adopted to increase the number of such children at school have proved successful may be judged by the proportion which the number of children reading in the first five classes of all grades of institutions bears to the total number of children of school-going age. The figures for the total number of children of school-going age have been arrived at by taking 14 per cent., an approximation, of the total population.

In 1917 the percentage of children at school in the first five primary classes to the total number of children of school-going age was 18·7. In 1921 it was 20·2 and in 1926 it was 25·2.

The extent to which illiteracy is being removed may also be judged by the percentage of pupils reading in all classes of institutions to the total population. In 1916 the percentage was 3·1, in 1921, 3·4 and in 1926, 4·2. The percentages for male and female pupils separately were :—

Males.—1916,—5·2. 1921,—5·5 and 1926,—6·9 and

Females.—1916,—1·0, 1921,—1·2 and 1926,—1·4.

Figures for the increase in the number of schools and scholars are not, however, necessarily a correct index of the extent to which the school-going population is being made literate. Permanent literacy can only be secured for the individual if the pupil remains four or five years consecutively at school and if the pupil reads in successive years progressively in the first four or five classes. The great wastage, which occurs between class and class, caused by pupils leaving school after short and irregular periods of attendance and by the stagnation of pupils in one class for a number of years, largely counteracts the attempts made to remove illiteracy by the opening of additional schools and the increased enrolment of scholars. In estimating the results of the expansion of education, therefore, the duration of school life is a vital factor for consideration.

It is not possible to give figures for all India for the stagnation which occurs in the lower classes, but the figures for one division of Bihar and Orissa are probably typical. In December 1925 there were 79,419 pupils reading in the lowest class of all primary and middle schools. In January 1926, 22,709 of these pupils were promoted to class II. Of the 22,709 pupils promoted 6,659 had read in class I for more than two years and 8,646 had read for more than one year, but less than two years. Of the 56,710 pupils who were not promoted 10,665 had read for more than two years and 19,064 had read for more than one year. These figures show that approximately 9 per cent. of the total number of pupils were promoted after one year's study; 11 per cent. after more than one year's study and 8 per cent. after more than two years' study. While 72 per cent. were not promoted at all.

The following table, giving the figures for all India, shows the percentage of wastage which occurred between class and class as between the years 1917 and 1918, 1921 and 1922 and 1925 and 1926 :—

	1917-18.	1921-22.	1925-26.
	Per cent.	Per cent.	Per cent.
Between classes—			
I and II	52.6	56.0	67.0
II and III	33.3	35.7	23.9
III and IV	26.0	29.8	27.8
IV and V	35.6	42.1	40.8

It will thus be seen that while the percentage of the number of pupils of the first class who did not proceed to the second class has increased as between 1921-22 and 1925-26 the percentage of wastage between other classes has improved. The rise in the percentage of wastage between classes one and two was to be expected owing to the large increase in enrolment in class one, the increase being 80 per cent. of the total increase in all 5 classes since 1921. §

Very considerable improvement has taken place in the staffing of primary schools. In 1916 the percentage of trained teachers to the total number of teachers was 28.3 ; in 1921 it was 35.6 and in 1926 it was 44.2. Between 1921 and 1926 all provinces, with the exception of Assam, increased their percentage and by 1926 the percentage varied from 64.4 in the United Provinces to 24.8 in Bengal.

Expenditure.—In 1916 the total expenditure from all sources on primary schools was Rs. 281.29 lakhs, in 1921 it was Rs. 453.73 lakhs and by 1926 it had risen to Rs. 635.58 lakhs. Between 1916 and 1921 the total expenditure rose by 61.3 per cent. and between 1921 and 1926 it rose by 40.1 per cent.

To the total increase in the period 1916 to 1921 Public funds contributed 90.0 per cent., fees 1.1 per cent. and other sources 8.9 per cent. To the total increase in the period 1921 to 1926 Public funds contributed 87.0 per cent., fees 3.3 per cent. and other sources 9.7 per cent.

Owing to the variations in classification prior to 1918 it has not been possible to ascertain the exact percentage of increase of Government funds and Board funds separately for the period 1916 to 1921. But of the total increase in expenditure between 1921 and 1926 Government funds met 59.4 per cent. and Board funds met 27.6 per cent.

The percentage of expenditure on primary education to the total expenditure on all classes of education has increased very slightly in the periods under review. In 1916 it was 25.4 ; in 1921, 27.0 and in 1926, 27.9.

In respect of the percentage of expenditure on primary education to the total expenditure the figures for the Provinces show large variations. In 1926 the percentage for Burma was as low as 8.6, while the percentage for Bombay was 48.8. In the same year all the provinces, with the exception of Burma, Bengal and the Punjab, spent over 25 per cent. of

office of Chief Justice or Judge are made by the Governor-General in Council. The same executive authority must be addressed for the grant of his previous approval to rules made, forms described and tables of fees settled by the Court. The Letters Patent of the Court (Article 5) requires a Judge on assumption of office to make a declaration before an authority prescribed by the Governor-General in Council. The control which in other provinces the local Government exercises over the clerical and ministerial establishment of the Court is in Bengal exercised by the Governor-General in Council (Article 8). The same differentiation is made in sundry provisions contained in the Indian Statute Book. Thus, by virtue of section 126 of the Code of Civil Procedure, 1908, rules made under section 122 require the previous approval of the Governor-General in Council. He too, and not the Government of Bengal, may determine the place at which the Court shall sit to dispose of criminal business, and may approve of judges going on circuit (Code of Criminal Procedure, section 335). His sanction is required to rules for the inspection of the records of subordinate courts (*Ibid* section 554).

10. This disposition of authority peculiar to Bengal dates in its present form from the first constitution of the Court under the High Courts Act, 1861. But it has its roots in a much older past. In pre-reform days it raised in practice no insurmountable difficulties. It is true that the local Legislative Council set up under the Act of 1909 had powers to discuss the budget, and to debate matters relating to the administration of justice by the High Court. But the Council had no powers to grant or withhold supply. The local Government had no inherent authority. It was in theory an agent of the central Government whose directions it was bound to carry out. In particular the central Government was competent to direct the local Government to make such financial provision for the needs of the High Court as the Governor-General in Council considered necessary. The resulting anomaly.

The position was materially altered by the Government of India Act and the rules under it. The local Government was given powers of its own, including powers for the administration of justice. The local legislature was made independent of the executive, entrusted with control or influence in a sphere corresponding to the functions of the local executive, and empowered to grant or withhold supply. Administration of Justice by the local Government was made a reserved subject and therefore remained under the unrestricted superintendence, direction and control of the Governor-General in Council. Nevertheless, the anomaly remains that the Government of Bengal has been assigned a responsibility for and the Bengal Legislative Council a concern with the administration of the Calcutta High Court notwithstanding the fact that important statutory powers in relation to the Court are vested in the Governor-General in Council. The anomaly assumes its most acute form in the financial sphere, for the financial responsibility of the local Government and the local legislature for the court is not limited in the manner in which the administrative authority of the former has been limited by the functions entrusted to the Governor-General in Council.

maintained in the second period under review, a greater improvement in the rate of increase of male scholars is noticeable. Taking boys and girls together, the very large increase in the number of schools and scholars and the improvement in the rate of expansion during the years subsequent to 1921 were mainly due to the working of the Elementary Education Act, passed in 1920, and to the policy, initiated by Government in 1924, of gradually providing all school-less centres, or groups of centres with a population of 500 and above, with schools. The Madras Elementary Education Act of 1920 provided for the creation in each district of a District Educational Council, functioning as an independent *ad hoc* body with powers to prepare schemes for the extension of elementary education, to recognise all elementary schools and to distribute grant-in-aid to aided schools. The Act also provided for the introduction of compulsory education and for the levy of an educational tax in approved local areas. Full advantage was not, however, taken of the provisions of the Act until the closing years of the period 1921 to 1926, during which time compulsion was introduced in a number of municipal areas.

In 1923 the Government of Madras convened a special conference of officials and non-officials to consider the improvement and expansion of elementary education and the most important recommendation made by the conference was that each village with a population of 500 and above should be provided with a school. In 1924, as a consequence of this recommendation, an educational survey was made of all the taluqs in the Presidency with a view to providing a record of all school-less areas and of the number of children of school-age attending and not attending school.

As a result of this survey a large number of school-less centres were provided with schools. The fact that over fifty per cent. of the total increase in the number of scholars recorded during the period 1921 to 1926 occurred during the years 1925 and 1926 is an indication of the success of the policy adopted.

The following percentages show the improvement effected during the periods 1916 to 1921 and 1921 to 1926 in the provision of schools for school-less areas.

Percentage of the number of villages, with a population of between 500 and 1,000, having a school to the total number of such population centres.

[illegible]

Percentage of the number of villages, with a population of between 1,000 and 2,000, having a school to the total number of such population centres.

[illegible]

Consequent on the steady growth in the number of scholars reading in primary schools in the periods under review the percentage of the population reading in primary schools to the total population has risen from year to year. In 1916 the percentage of male pupils to the total male population was 5.1, in 1921 it was 5.7 and by 1926 it had risen to 7.6. The corresponding percentages for female pupils in primary schools were: 1916,—1.3, 1921,—1.6, and 1926,—2.2.

In 1917 the total number of scholars reading in the five lowest classes of all grades of institutions was 1,416,799; in 1921 it was 1,545,574 and in 1926 it was 2,087,699. Between 1917 and 1921 the number increased by 9.0 per cent. and between 1921 and 1926 by 35.0 per cent.

In 1917 the percentage of pupils in the first five classes of all institutions to the total number of children of school-going age was 24.4; in 1921 it was 26.6 and in 1926 it was 35.6.

As has already been explained previously in this chapter the extent to which the number of schools and scholars have increased in any one period is not necessarily an index of the extent to which the school-going population is being made literate. In the Madras Presidency the high percentage of wastage between standard and standard continued throughout the periods 1916 to 1921 and 1921 to 1926. The following table shows the percentage of wastage which occurred between the primary standards as between the years 1917 and 1918, 1921 and 1922 and the years 1925 and 1926:—

	1917-1918.	1921-1922.	1925-1926.
	Per cent.	Per cent.	Per cent.
Between classes—			
I and II	54.8	61.1	59.2
II and III	25.4	27.4	25.9
III and IV	17.7	19.9	20.3
IV and V	61.4	56.5	55.7

It will be seen that with the exception of the wastage between classes IV and V, there has been no improvement as between the years 1917 and 1918 and the years 1925 and 1926.

The staffing of primary schools has steadily improved, the improvement being most marked in the period 1921 to 1926. In 1916 the percentage of trained teachers to the total number of teachers was 35.5; in 1921 it was 40.4 and in 1926 it was 49.7.

Expenditure.—The total expenditure from all sources on primary education has increased very rapidly during the periods under review. In 1916 the total expenditure on primary schools was Rs. 65.77 lakhs. In 1921 it was Rs. 105.88 lakhs and by 1926 it had risen to Rs. 150.91 lakhs. The totals do not include indirect expenditure such as the cost of Direction and Inspection and expenditure on buildings and equipment. Between 1916 and 1921 the total expenditure rose by 61.0 per cent. and between 1921 and 1926 it rose by 42.5 per cent.

To the total increase in the period 1916 to 1921 Public funds contributed 82·4 per cent., fees 1·8 per cent. and other sources 15·8 per cent.

To the total increase in the period 1921 to 1926 Public funds contributed 80·8 per cent. (Government funds 61·4 and Local Board funds 19·4), fees *nil* per cent. and other sources 19·2 per cent.

The absence of any increase in the contribution from fees in the period 1921 to 1926 may be accounted for by the fact that a large number of Local Boards discontinued the levy of fees in primary schools and by the fact that with the introduction of compulsion in certain areas free education was imparted.

In 1916 the percentage of expenditure on primary education to the total expenditure on education was 31·8; in 1921 it was 33·2 and by 1926 it had risen to 36·2.

Bombay.—In 1916 the total number of recognised primary schools was 10,890 with an enrolment of 670,141 scholars. The corresponding figures for the years 1921 and 1926 were :—

1921—13,018 schools with 8,07,036 scholars.

1926—13,448 schools with 9,13,168 scholars.

Between 1916 and 1921 the number of schools increased by 2,128 or by 19·5 per cent. and the number of scholars increased by 136,895 or by 20·4 per cent.

Between 1921 and 1926 the number of schools increased by 430 or by 3·3 per cent. and the number of scholars increased by 106,132 or by 13·1 per cent.

Between 1916 and 1921 the rate of increase for male scholars only was 17·2 per cent. and between 1921 and 1926 it was 14·3 per cent. The corresponding figures for female scholars only were 34·3 per cent. and 8·6 per cent. respectively.

It is difficult to account satisfactorily for the slow rate of expansion in the years subsequent to 1921 but the main factors operating against a more rapid development would appear to have been :—the fact that, though the Bombay Elementary Education Act was passed into Law in 1923, the rules under the Act were not framed until the end of 1924 and the Act itself did not really become operative until the following year; the influence of the non-co-operation movement which affected primary schools in Bombay more and for a longer period, than in other provinces; the low density of the population in Bombay, especially in Sind, compared with other Provinces in India, which has made the opening of more schools difficult and costly; the extremely unequal progress, especially as far as girls are concerned, which has been recorded among the advanced and backward communities and the relatively high cost of primary education in Bombay compared with the cost in other provinces, due mainly to higher salaries and to the larger number of trained teachers employed, making further expansion, difficult on financial grounds. The figures for the period 1921 to 1926 have also been

affected by the withdrawal, in 1923, from the recognised list, of a number of Mulla schools and by the separate classification of schools for adults after 1922.

The Primary Education Act of 1923 provided for the transfer of the management of Public elementary schools to newly constituted school committees of local authorities and for the introduction of free and compulsory education in approved local areas. The fact that the main provisions of this Act did not become operative until the end of 1925 naturally tended to prevent any rapid advance in the period between 1923 and 1925.

It must, however, be noted that the percentage of scholars reading in primary schools to the total population steadily increased and remained relatively high in comparison with the figures for other provinces and that the average number of pupils per primary school in Bombay is considerably larger than the figures for most other provinces.

In 1916 the percentage of male pupils in primary schools to the total male population was 5.3, in 1921 it was 6.2 and by 1926 it had risen to 7.2. The corresponding percentages for female pupils were:—

1916,—1.3, 1921,—1.8 and 1926,—1.9.

In 1917 the total number of scholars reading in the five lowest classes of all grades of institutions was 654,123, in 1921 it was 797,722 and in 1926 it was 848,587. Between 1917 and 1921 the number increased by 21.9 per cent. and between 1921 and 1926 by 6.3 per cent. In 1917 the percentage of pupils in the first five classes of all institutions to the total number of children of school-going age was 23.6; in 1921 it was 29.5 and in 1926 it was 31.4.

The following table shows the percentage of wastage which occurred between standard and standard as between the years 1917 and 1918, 1921 and 1922 and 1925 and 1926:—

—					1917-18.	1921-22.	1925-26.
					Per cent.	Per cent.	Per cent.
Between classes—							
I and II .	.	.	.	.	51.9	56.5	36.9
II and III .	.	.	.	.	13.5	21.8	11.4
III and IV .	.	.	.	.	13.4	25.3	16.5
IV and V .	.	.	.	.	15.8	29.8	13.8

From the above figures it will be seen that the duration of school life lengthened considerably in the period between 1922 and 1926 and that the figures for 1926 show a marked improvement over the figures for 1918.

The staffing of primary schools improved steadily in both periods. In 1916 the percentage of trained teachers to the total number of teachers was 35.6; in 1921 it was 42.9 and in 1926 it was 50.4.

Expenditure.—In 1916 the total expenditure from all sources on primary education was Rs. 63.46 lakhs. In 1921 it was Rs. 127.21 lakhs

and by 1926 it had risen to Rs. 181.02 lakhs. Between 1916 and 1921 the total expenditure rose by 100.5 per cent. and between 1921 and 1926 it rose by 42.3 per cent. To the total increase in the period 1916 to 1921 Public funds contributed 92.7 per cent. fees 0.3 per cent, and other sources 7.0 per cent. To the total increase in the period 1921 to 1926 Public funds contributed 94.8 per cent. (Government funds 68.9 per cent. and Local Board funds 25.9 per cent), fees 1.7 per cent. and other sources 3.5 per cent.

In 1916 the percentage of expenditure on primary education to the total expenditure on education was 41.4; in 1921 it was 48.3 and by 1926 it had risen to 48.8.

Bengal.—In 1916 the total number of recognised primary schools was 40,410 with an enrolment of 1,327,422 scholars. The corresponding figures for the years 1921 and 1926 were:—

1921—47,772 schools with 1,456,865 scholars;

1926—50,923 schools with 1,650,555 scholars.

Between the years 1916 and 1921 the number of schools increased by 7,362 or by 18.2 per cent. and the number of scholars increased by 129,443 or by 9.7 per cent. Between 1921 and 1926 the number of schools increased by 3,151 or by 6.5 per cent. and the number of scholars increased by 193,690 or by 13.3 per cent.

Between 1916 and 1921 the rate of increase for male scholars only was 5.5 per cent. and between 1921 and 1926 it was 13.6 per cent. The corresponding figures for female scholars only were 27.0 per cent. and 11.9 per cent. respectively.

The figures indicate that in both the periods under review progress was confined to normal increases in numbers and strength. Prior to 1921 two exhaustive surveys of the condition of primary education, with recommendations for the adoption of schemes for free primary education, were submitted to Government, but owing to financial difficulties few of the schemes recommended in these reports were adopted. Bengal, more than any other province, depends upon aided primary schools as the agency for development and the fee income in Bengal bears a very high share of the total cost of primary education. In consequence war time and post-war time economic distress seriously affected the expansion of primary education.

The Bengal Primary Education Act, which was passed in 1919, and the Bengal Primary Education Amendment Act of 1921, provided for the introduction of free and compulsory education in Municipal and Union Board areas and for the levy of an educational cess, but inadequate finance has prevented advantage being taken of these Acts.

In the period from 1921 to 1926 the adoption of a constructive programme of development was rendered even more difficult by the holding in abeyance of the posts of Ministers almost continuously from August 1924 up to the end of 1926.

The figures given for the increase in the number of schools during the same period are not altogether an accurate test of the advance made since in the year 1923 a number of night-schools, hitherto classified as primary, were withdrawn from the list of primary schools and classified as adult schools.

In 1916 the percentage of male pupils in primary schools to the total male population was 4.5, in 1921 it was 4.8 and by 1926 it had risen to 5.3. The corresponding percentages for female pupils were:—

1916—1.1. 1926.—1.4 and 1916.—1.6.

In 1917 the total number of scholars reading in the five lowest classes of all grades of institutions was 1,587,273; in 1921 it was 1,630,794 and in 1926 it was 1,844,795.

Between 1917 and 1921 the number increased by 2.7 per cent. and between 1921 and 1926 the number increased by 13.1 per cent.

In 1917 the percentage of pupils in the first five classes of all institutions to the total number of children of school-going age was 24.9; in 1921 it was 25.6 and in 1926 it was 28.2.

The following table shows the percentage of wastage between standard and standard as between the years 1917 and 1918, 1921 and 1922 and 1925 and 1926:—

	1917-18. Per cent.	1921-22. Per cent.	1925-26. Per cent.
Between Classes—			
I and II	69.5	75.3	72.4
II and III	26.2	24.4	31.6
III and IV	31.3	40.0	50.5
IV and V	37.1	40.7	40.2

The figures would appear to indicate that there has been little or no improvement in the length of time which pupils stay at school or in the consecutive promotion of pupils from class to class.

The staffing of primary schools has been far from satisfactory and in spite of the improvements which have taken place in each period the percentage of trained teachers to the total number of teachers is the lowest in India.

In 1916 the percentage was 14.9; in 1921 it was 19.9 and in 1926 it was 24.8.

Expenditure.—In 1916 the total expenditure from all sources on primary education was Rs. 43.03 lakhs.

In 1921 it was Rs. 51.56 lakhs and in 1926 it was Rs. 62.33 lakhs.

Between 1916 and 1921 the total expenditure rose by 19.8 per cent. and between 1921 and 1926 it rose by 20.9 per cent.

To the total increase in the period 1916 to 1921 Public funds contributed 83.3 per cent., fees 4.2 per cent. and other sources 12.5 per cent.

To the total increase in the period 1921 to 1926 Public funds contributed 41·6 per cent. (Government funds 24·6 per cent. and Local Board funds 17·0 per cent.), fees 37·9 per cent. and other sources 20·5 per cent.

The most noticeable feature of the period 1921 to 1926 was the large rise in the contributions from other sources and from fee income.

In 1916 the percentage of expenditure on primary education to the total expenditure on education was 16·7; in 1921 it was 16·7 and by 1926 it had fallen to 16·5.

The United Provinces.—In 1926 the total number of recognised primary schools was 11,540 with an enrolment of 628,542 scholars. The corresponding figures for the years 1921 and 1926 were: 1921,—16,368 schools with 848,356 scholars; 1926,—19,797 schools with 1,051,620 scholars.

Between the years 1916 and 1921 the number of schools increased by 4,828 or by 41·8 per cent. and the number of scholars increased by 219,814 or by 35·0 per cent.

Between the years 1921 and 1926 the number of schools increased by 3,429 or by 20·9 per cent. and the number of scholars increased by 203,264 or by 23·9 per cent.

Between 1916 and 1921 the rate of increase for male scholars only was 33·3 per cent. and between 1921 and 1926 it was 24·5 per cent. The corresponding figures for female scholars only were 54·4 per cent. and 18·2 per cent. respectively.

The greatest expansion in the number of schools and scholars occurred between the years 1918 and 1921 during which period the Government of the United Provinces launched a definite three year programme of expansion and development.

The increased expenditure incurred by the financing of the programmes was however so high that after 1921 further programmes of a similar nature were not taken up and the rate of expansion declined.

The United Provinces Primary Education Act, which was passed in 1919, provided for the introduction of compulsion for boys in Municipal Board areas and has been responsible for increased enrolment in a number of areas in which compulsion has been applied. The District Boards Primary Education Act, which was passed in 1926 and made similar provision for the compulsory education of boys in rural areas, has obviously not affected the development of primary education in the periods under review.

In 1916 the percentage of male pupils in primary schools to the total male population was 2·3; in 1921 it was 3·2 and by 1926 it had risen to 4·0. The corresponding figures for female pupils were:—

1916—0·2, 1921—0·3 and 1926—0·4.

In 1917 the total number of scholars reading in the five lowest classes of all grades of institutions was 717,458; in 1921 it was 876,540 and in 1926 it was 1,088,462.

Between 1917 and 1921 the number increased by 22.1 per cent. and between 1921 and 1926 by 24.1 per cent. In 1917 the percentage of pupils in the first five classes of all institutions to the total number of pupils of school-going age was 10.8; in 1921 it was 13.8 and in 1926 it was 17.1.

The following table shows the wastage between class and class as between the years 1917 and 1918, 1921 and 1922 and the years 1925 and 1926 :—

Between classes—	1917-18. Per cent.	1921-22. Per cent.	1925-26. Per cent.
I and II	67.5	73.9	67.4
II and III	27.8	28.0	26.8
III and IV	23.2	25.2	20.2
IV and V	18.5	27.5	24.6

The staffing of primary schools has greatly improved. In 1916 the percentage of trained teachers to the total number of teachers was 35.6; in 1921 it was 48.6 and by 1926 it had risen to 64.4.

Expenditure.—In 1916 the total expenditure on primary schools from all sources was Rs. 27.01 lakhs, in 1921 it was Rs. 51.45 lakhs and by 1926 it had risen to Rs. 80.83 lakhs.

Between 1916 and 1921 the total expenditure rose by 90.5 per cent. and between 1921 and 1926 it rose by 57.1 per cent.

To the total increase in the period 1916 to 1921 Public funds contributed 96.4 per cent., fees 2.1 per cent. and other sources 1.5 per cent.

To the total increase in the period 1921 to 1926 Public funds contributed 99.6 per cent. (Government funds 98.7 per cent. and Local Boards funds 0.9 per cent.) and other sources 1.6 per cent., while fees decreased by 1.2 per cent.

In 1916 the percentage of expenditure on primary education to the total expenditure on education was 19.4; in 1921 it was 21.3 and by 1926 it had risen to 25.8.

Punjab.—In 1916 the total number of recognised primary schools was 5,679 with an enrolment of 275,353 scholars. The corresponding figures for the years 1921 and 1926 were :—

1921—6,386 schools with 285,886 scholars;

1926—6,876 schools with 433,308 scholars.

Between the years 1916 and 1921 the number of schools increased by 707 or by 12.4 per cent. and the number of scholars increased by 10,533 or by 4.0 per cent.

Between the years 1921 and 1926 the number of schools increased by 490 or by 7.6 per cent. and the number of scholars increased by 147,422 or by 51.4 per cent.

Between 1916 and 1921 the rate of increase for male scholars only was 1.4 per cent. and between 1921 and 1926 it was 57.3 per cent. The corresponding figures for female scholars only were 14.6 per cent. and 22.4 per cent. respectively.

Though the above figures show a record of considerable progress in both periods they are by no means a correct indication of the extent of the development and expansion that has actually taken place. Owing to the reduction of the primary school from 5 to 4 classes and to the conversion of large numbers of primary schools into vernacular middle schools, classified as secondary, the actual expansion of primary education can only be correctly estimated by a comparison of the figures for the primary classes of all grades of institutions. The figures show that in 1917 there were 361,308 scholars in the first five classes of all schools; in 1921,—425,329 scholars and in 1926,—766,768 scholars. Between 1917 and 1921 the number of scholars therefore increased by 17·6 per cent. and between 1921 and 1926 by 80·2 per cent.

During the years 1916 to 1921 three main factors operated to assist successful progress. The laying down of definite 5-year programmes of expansion, particularly for the opening of vernacular middle schools; the passing of the Primary Education Act in 1919 which provided for the introduction of compulsion for boys in Municipal and rural areas, the levy of an educational cess and the grading of districts into forward and backward areas for the purpose of obtaining a more equitable distribution of Government subsidies towards primary education. The last factor in particular assisted backward areas, hitherto without sufficient schools, to expand and develop.

The improvement shown in the period 1921 to 1926 was even more marked owing to the fuller development of programmes for expansion, the reduction in the number of single teacher schools, the increase in the number of trained teachers, the propaganda carried on by officials, Co-operative Societies, Parents Societies, etc. to keep pupils in schools, the adaptation of the curriculum to the needs of rural areas and the large increase in the number of areas in which compulsion was introduced.

In 1916 the percentage of male scholars in primary schools to the total population was 2·1; in 1921 it was 2·1 and by 1926 it had risen to 3·3. The corresponding figures for female scholars only were:—1916,—0·4, 1921,—0·5 and 1926,—0·6. In 1917 the percentage of pupils in the first five classes of all institutions to the total number of pupils of school-going age was 13·1; in 1921 it was 14·7 and by 1926 it had risen to 26·5.

The following table shows the wastage which has occurred between class and class as between the years 1917 and 1918, 1921 and 1922 and 1925 and 1926:—

Between classes—	1917-18.	1921-22.	1925-26.
	Per cent.	Per cent.	Per cent.
I and II	57·1	56·0	58·6
II and III	21·7	15·1	23·1
III and IV	23·3	14·3	14·7
IV and V	13·6	32·7	26·4

The staffing of primary schools steadily improved, particularly in the period 1921 to 1926. In 1916 the percentage of trained teachers to the total number of teachers was 49·9; in 1921 it was 51·5 and in 1926 it was 56·3.

Expenditure.—In 1916 the total expenditure from all sources on primary schools was Rs. 18·86 lakhs; in 1921 it was Rs. 29·85 lakhs and by 1926 it had risen to Rs. 39·84 lakhs.

Between 1916 and 1921 there was an increase of 58·2 per cent. and between 1921 and 1926 there was an increase of 33·5 per cent. To the total increase in the period 1916 to 1921 Public funds contributed 96·5 per cent. and other sources 6·2 per cent., while fees decreased by 2·7 per cent.

To the total increase in the period 1921 to 1926 Public funds contributed 95·6 per cent. (Government funds 98·8 per cent., while Local Board funds fell by 3·2 per cent.) and other sources 4·7 per cent.; while fees decreased by 0·3 per cent.

In 1916 the percentage of expenditure on primary education to the total expenditure on education was 16·8; in 1921 it was 16·2 and by 1926 it had fallen to 15·5. The fall in percentage is accounted for by the transformation of primary schools into middle schools.

Burma.—In 1916 the total number of recognised primary schools was 7,347 with an enrolment of 247,330 scholars. The corresponding figures for the years 1921 and 1926 were:—1921—5,752 schools with 215,237 scholars; 1926,—4,121 schools with 207,247 scholars. Between 1916 and 1921 the number of schools decreased by 1,595 or by 21·7 per cent. and the number of scholars decreased by 32,093 or by 13·0 per cent.

Between 1921 and 1926 the number of schools decreased by 1,631 or by 28·3 per cent. and the number of scholars decreased by 8,990 or by 4·2 per cent. Between 1916 and 1921 the rate of decrease in the number of male scholars only was 16·5 per cent. and between 1921 and 1926 it was 15·6 per cent. Between 1916 and 1921 the rate of decrease in the number of female scholars only was 5·4 per cent., but between 1921 to 1926 the rate of increase was 12·2 per cent.

Between the years 1918 and 1925 there was a steady decline in the number of male and female scholars reading in primary schools. The main reasons for this decline would appear to be a policy of concentration and efficiency, and inability to finance and properly staff all the schools opened prior to 1918, the withdrawal from the recognised list of a large number of Monastic schools, the effect of the boycott movement and the preference shown, by pupils for reading in the primary classes of middle and high schools. The figures for the last year of the period 1921 to 1926 show, however, that the new policy of expansion inaugurated in 1926 is proving successful—the number of male scholars increasing by 13,757 and the number of female scholars by 12,735 in the one year.

In 1916 the percentage of male pupils in primary schools to the total male population was 2·7, in 1921 it was 2·0 and by 1926 it had fallen to 1·7. The corresponding figures for femalescholars were : 1926,—1·3, 1921,—1·1 and 1926,—1·3.

In 1917 the total number of scholars reading in the five lowest classes of all grades of institutions was 361,076 ; in 1921 it was 322,892 and in 1926 it was 360,394. Between 1917 and 1921 the number decreased by 10·5 per cent. and between 1921 and 1926 it increased by 11·6 per cent.

In 1917 the percentage of pupils in the first five classes of all institutions to the total number of pupils of school-going age was 21·3 ; in 1921 it was 18·0 and in 1926 it was 19·5.

The following table shows the wastage between class and class as between the years 1917 and 1918, 1921 and 1922 and 1925 and 1926 :—

Between Classes—	1917-18.	1921-22.	1925-26.
	Per cent.	Per cent.	Per cent.
I and II	15·7	57·4	64·1
II and III	43·1	61·4	29·2
III and IV	41·0	63·3	11·4
IV and V	41·7	71·3	49·4

The figures show that, though the wastage between the standards higher than the first has lessened, the wastage between class I and class II has largely increased. As many as 123,348, out of a total 192,354 scholars in the first class in 1925 did not reach the second class by 1926.

The staffing of primary schools has shown great improvement. In 1916 the percentage of trained teachers to the total number of teachers was 16·9 ; in 1921 it was 31·2 and by 1926 it had risen to 44·7.

Expenditure.—In 1916 the total expenditure from all sources on primary schools was Rs. 10·70 lakhs ; in 1921 it was Rs. 11·65 lakhs and by 1926 it had risen to Rs. 14·31 lakhs. Between 1916 and 1921 the total expenditure rose by 8·9 per cent. and between 1921 and 1926 it rose by 23·7 per cent. To the total increase in the period 1916 to 1921 Public funds contributed 202·0 per cent., while fees and other sources decreased by 51·0 per cent. and 51·0 per cent. respectively. To the total increase in the period 1921 to 1926 Public funds contributed 145·9 per cent. while fees and other sources decreased by 22·2 per cent. and 23·7 per cent. respectively. Separate figures for Government funds and Local Board funds are not available. In 1916 the percentage of expenditure on primary education to the total expenditure on education was 16·4 ; in 1921 it was 12·5 and by 1926 it had fallen to 8·6.

Bihar and Orissa.—In 1916 the total number of recognised primary schools was 23,402 with an enrolment of 643,117 scholars. The corresponding figures for the years 1921 and 1926 were :—1921,—25,240

schools with 706,746 scholars ; 1926,—30,656 schools with 930,394 scholars.

Between 1916 and 1921 the number of schools increased by 1,838 or by 7·8 per cent. and the number of scholars increased by 63,629 or by 10·0 per cent.

Between 1921 and 1926 the number of schools increased by 5,416 or by 21·4 per cent. and the number of scholars increased by 223,648 or by 31·6 per cent.

Between 1916 and 1921 the rate of increase for male scholars only was 9·4 per cent. and between 1921 and 1926 it was 36·5 per cent. The corresponding figures for female scholars only were 12·1 per cent. and 3·9 per cent. The figures show that while there was a steady increase in the number of schools and scholars between 1916 and 1921, a much larger development took place in the period subsequent to 1921. In fact the difference in the rate of expansion between the two periods was even greater than the figures indicate since in 1917 over 1,300 Maktabas and Pathshalas, formerly classified as special schools, were added to the primary school list.

The slow rate of expansion between 1916 and 1921 has been attributed to the influenza epidemic of 1918, to the non-co operation movement which began in 1920 and more particularly to the great increase in the cost of living subsequent to 1917 and to the prevailing economic distress. From 1921 onwards there was a large and progressive rise in the number of primary schools and scholars particularly in the number of Maktabas and Pathshalas, which satisfy the demand for religious instruction on the part of Muhammadans and Hindus.

The main factors which contributed to the rapid expansion recorded were the adoption of definite 10 year programmes of expansion, first considered in 1916 but not made operative until revised in 1920 and 1924 ; the passing of the Primary Education Act in 1919 ; the improvement in the pay of teachers, and the improvement in the general finances of the province which enabled the Government from 1923 onwards to make progressively larger grants to Local Boards for the development of primary education.

In 1916 the percentage of male scholars reading in primary schools to the total male population was 3·2, in 1921 it was 3·5 and by 1926 it had risen to 4·8. The corresponding figures for female scholars were :—1916,—0·5, 1921,—0·6 and 1926,—0·6.

In 1917 the total number of scholars reading in the five lowest classes of all grades of institutions was 705,765 ; in 1921 it was 720,087 and in 1926 it was 975,305. Between 1917 and 1921 the number increased by 2·0 per cent. and between 1921 and 1926 by 35·4 per cent. In 1917 the percentage of pupils in the first five classes of all institutions to the total number of children of school-going age was 14·5 ; in 1921 it was 15·1 and by 1926 it had risen to 20·4. The following table shows the

wastage between class and class as between the years 1917 and 1918 1921 and 1922 and 1925 and 1926.

	1917-18. Per cent.	1921-22. Per cent.	1925-26. Per cent.
Between classes—			
I and II	82.0	61.2	71.4
II and III	25.9	41.4	25.2
III and IV	66.8	32.3	58.8
IV and V	19.7	69.2	12.8

The staffing of primary schools improved in both periods. In 1916 the percentage of trained teachers to the total number of teachers was 19.0; in 1921 it was 28.9 and by 1926 it had risen to 35.5.

Expenditure.—In 1916 the total expenditure from all sources on primary schools was Rs. 26.20 lakhs. In 1921 it was Rs. 34.59 lakhs and by 1926 it had risen to Rs. 53.05 lakhs. Between 1916 and 1921 the total expenditure rose by 32.4 per cent. and between 1921 and 1926 it rose by 53.4 per cent. To the total increase in the period 1916 to 1921 Public funds contributed 71.1 per cent.; fees 6.9 per cent. and other sources 22.0 per cent. To the total increase in the period 1921 to 1926 Public funds contributed 81.7 per cent., fees 5.7 per cent. and other sources 12.6 per cent. Separate figures are not available for Government funds and Local Board funds. In 1916 the percentage of expenditure on primary education to the total expenditure on education was 31.0; in 1921 it was 30.3 and by 1926 it had risen to 34.5.

Central Provinces and Berar.—In 1926 the total number of recognised primary schools was 4,022 with an enrolment of 288,691 scholars. The corresponding figures for the years 1921 and 1926 were:—

1921,—4,251 schools with 276,983 scholars.

1926,—4,423 schools with 277,972 scholars.

Between 1916 and 1921 the number of schools increased by 229 or by 5.6 per cent. and the number of scholars decreased by 11,708 or by 4.1 per cent.

Between 1921 and 1926 the number of schools increased by 172 or by 4.0 per cent. and the number of scholars increased by 989 or by 3 per cent.

Between 1916 and 1921 the rate of decrease for male scholars only was 5.1 per cent. and between 1921 and 1926 the rate of increase for male scholars only was 1.2 per cent.

Between 1916 and 1921 the rate of increase for female scholars only was 4.4 and between 1921 and 1926 the rate of decrease for female scholars only was 6.3.

The figures indicate that in neither period has progress been satisfactory. During the year 1916 to 1921 there was a steady fall each year in the number of male scholars, while the number of female scholars increased slightly each year up to 1920 and then declined. Economic distress, epidemic diseases and to a small extent the non-co-operation movement adversely affected progress.

During the years 1921 to 1926 the number of male scholars showed a slight improvement, due to a large rise in the year 1926 ; while the number of female scholars slowly declined.

Lack of progress amongst women is attributed to the apathy of the public towards the education of girls, which is illustrated by the fact that in 1926, 58 per cent. of the total number of scholars reading in all classes of institutions for women were reading in the first class.

The Primary Education Act, which was passed in 1919 and provided for the application of compulsion in approved areas under Local Boards, scarcely became operative until the end of the period under review since up to 1925 only one municipality and 11 rural areas had introduced compulsion.

In 1916 the percentage of male scholars in primary schools to the total male population was 3.6. In 1921 it was 3.5 and in 1926 it was 3.5. The corresponding figures for female scholars only were :—

1916,—0.4, 1921,—0.4 and 1926,—0.4.

In 1917 the total number of scholars reading in the five lowest classes of all grades of institutions was 316,758 ; in 1921 it was 318,609 and in 1926 it was 339,401.

Between 1917 and 1921 the number increased by 0.5 per cent. and between 1921 and 1926 by 6.5 per cent. In 1917 the percentage of pupils in the first five classes of all institutions to the total number of children of school-going age was 16.3 ; in 1921 it was 16.5 and in 1926 it was 17.4.

The following table shows the wastage between class and class as between the years 1917 and 1918, 1921 and 1922 and 1925 and 1926 :—

—					1917-18.	1921-22.	1925-26.
Between classes—					Per cent.	Per cent.	Per cent.
I and II	.	.	.	.	19.0	46.6	50.9
II and III	.	.	.	.	26.6	22.3	12.1
III and IV	.	.	.	.	14.3	17.4	5.3
IV and V	.	.	.	.	15.8	19.3	70.0

The staffing of primary schools showed marked improvement in the period 1921 to 1926. In 1916 the percentage of trained teachers to the total number of teachers was 29.7 ; in 1921 it was 31.1 and by 1926 it has risen to 43.6.

Expenditure.—In 1916 the total expenditure on primary schools from all sources was Rs. 15.95 lakhs. In 1921 it was Rs. 25.39 and by 1926 it had risen to Rs. 30.33 lakhs.

Between 1916 and 1921 the total expenditure increased by 59.2 per cent. and between 1921 and 1926 it increased by 19.5 per cent.

To the total increase in the period 1916 to 1921 Public funds contributed 92.2 per cent., fees 3.4 per cent. and other sources 4.4 per cent. To the total increase in the period 1921 to 1926 Public funds contributed 82.0 per cent., fees 10.9 per cent. and other sources 7.1 per cent.

Separate figures for Government funds and Local Board funds are not available.

In 1916 the percentage of expenditure on primary education to the total expenditure on education was 33·3; in 1921 it was 32·6 and by 1926 it had declined to 29·5.

Assam.—In 1916 the total number of recognised primary schools was 4,192 with an enrolment of 186,342 scholars. The corresponding figures for the years 1921 and 1926 were:—

1921,—4,407 schools with 179,754 scholars;

1926,—4,674 schools with 207,686 scholars.

Between 1916 and 1921 the number of schools increased by 215 or by 5·1 per cent. and the number of scholars decreased by 6,588 or by 3·5 per cent.

Between 1921 and 1926 the number of schools increased by 267 or by 6·0 per cent. and the number of scholars increased by 27,932 or by 10·5 per cent.

Between 1916 and 1921 the rate of decrease for male scholars only was 3·8 per cent. and between 1921 and 1926 the rate of increase for male scholars only was 15·1 per cent. Between 1916 and 1921 the rate of decrease for female scholars only was 1·8 per cent. and between 1921 and 1926 the rate of increase for female scholars only was 18·0 per cent.

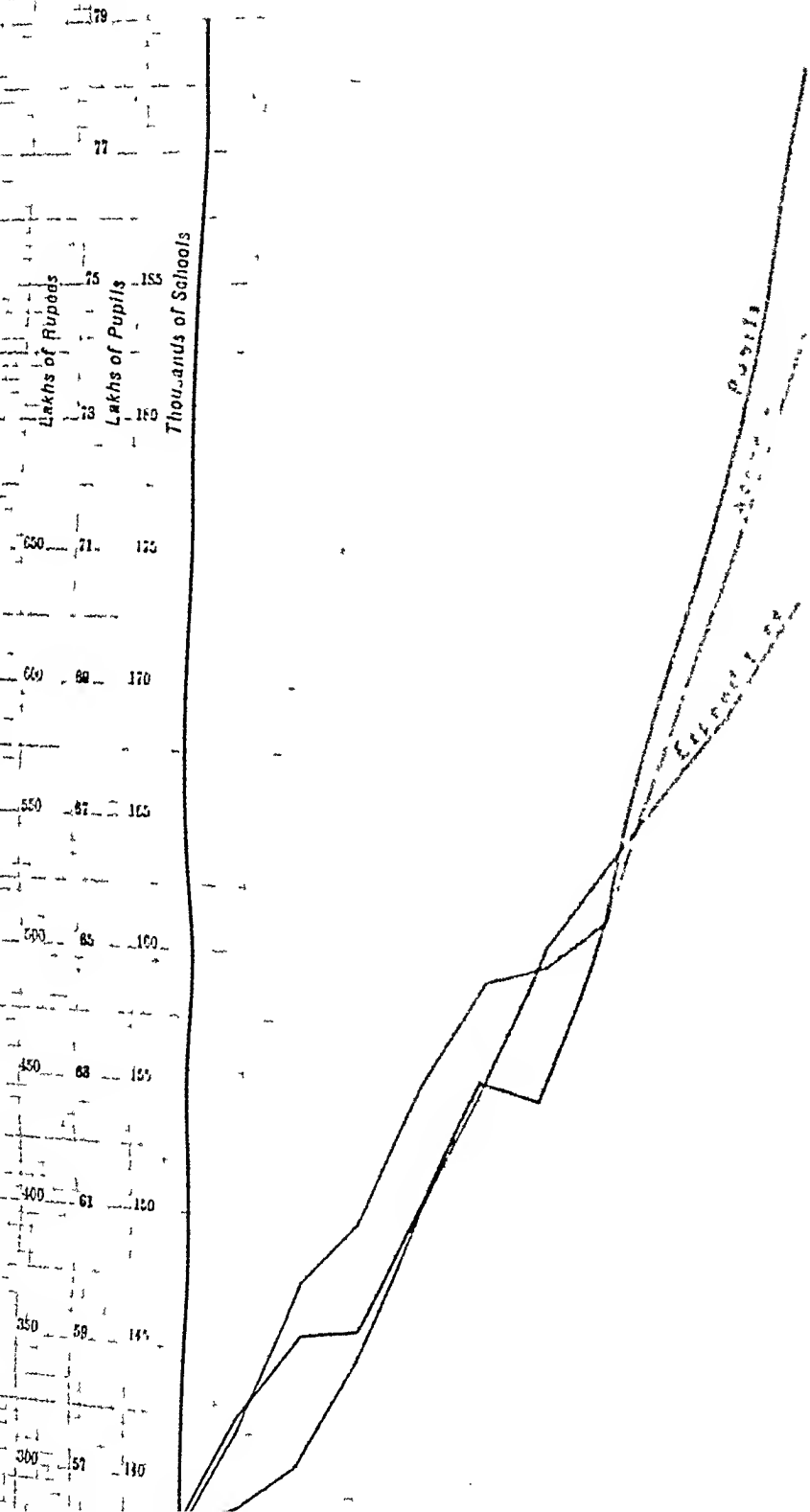
In spite of the fact that Vernacular education was free in Assam even prior to 1916 adverse conditions prevented any advance in the period 1916 to 1921. The prevailing economic distress was such as to make it impossible for large classes of the people to afford the incidental expenses connected with even free education, and political agitation, epidemics and limited finances all combined to retard progress. Between 1921 and 1926, however, there was slow but steady progress in the number of scholars attending school. But with sparsely populated areas and very limited finances no large development could be expected. The Primary Education Act, which provided for the introduction of compulsion and for the levy of a special education cess, was not passed until 1926 and so did not affect the periods under consideration.

In 1916 the percentage of male scholars in primary schools to the total male population was 4·6. In 1921 it was 3·9 and in 1926 it was 4·5. The corresponding figures for female scholars were:—1916,—0·7, 1921,—0·6 and 1926,—0·7. In 1917 the total number of scholars reading in the five lowest classes of all grades of institutions was 207,950; in 1921 it was 206,261 and in 1926 it was 240,745.

Between 1917 and 1921 the number decreased by 0·8 per cent. and between 1921 and 1926 it increased by 16·7 per cent.

In 1917 the percentage of pupils reading in the first five classes of all institutions to the total number of children of school-going age was 22·1; in 1921 it was 19·3 and in 1926 it was 22·6.

Graph showing the progress of Primary Schools. ($\frac{1}{3}$ 3,500 schools)
 pupils in them ($\frac{2}{3}$ → 2 lakhs of pupils) and
 Direct Expenditure on them ($\frac{2}{3}$ → 50 lakhs of Rs.)



The following table shows the percentage of wastage which occurred between class and class as between the years 1917 and 1918, 1921 and 1922 and 1925 and 1926.

	1917-18. Per cent.	1921-22. Per cent.	1925-26. Per cent.
Between classes—			
I and II	74.0	77.2	74.1
II and III	10.5	20.0	6.1
III and IV	33.8	36.2	27.7
IV and V	65.4	66.0	61.5

The staffing of primary schools has shown no improvement and the percentage of trained teachers to the total declined between 1921 and 1926.

In 1916 the percentage of trained teachers to the total number of teachers was 40.1 ; in 1921 it was 40.5 and by 1926 it had fallen to 35.9.

Expenditure.—In 1916 the total expenditure from all sources on primary schools was Rs. 7.15 lakhs. In 1921 it was Rs. 8.27 lakhs and by 1926 it had risen to Rs. 11.12 lakhs.

Between 1916 and 1921 the total expenditure increased by 15.7 per cent. and between 1921 and 1926 it increased by 34.4 per cent.

To the total increase in the period 1916 to 1921 Public funds contributed 90.7 per cent., fees 0.5 per cent. and other sources 8.8 per cent. To the total increase in the period 1921 to 1926 Public funds contributed 76.0 per cent. (Government funds 72.2 per cent. and Local Board funds 3.8 per cent.), and other sources 24.1 per cent., while fees decreased by 0.1 per cent.

In 1916 the percentage of expenditure on primary education to the total expenditure on education was 26.6 ; in 1921 it was 25.3 but by 1926 it had risen to 27.4.

CHAPTER V.—COMPULSORY EDUCATION.

Prior to 1916, with the exception of Mr. Gokhale's abortive bill of 1911 in the Imperial Legislative Council, no attempt had been made anywhere in British India to apply to principle of compulsion though free education in primary schools, or in certain classes of primary schools, had been experimented with in several provinces.

Between 1916 and 1921 it became generally recognised that a satisfactory rate of expansion and the necessary prolongation of the duration of school life could only be obtained by the gradual introduction of universal free and compulsory education, and by the end of the period seven primary education Acts, authorising the introduction of compulsion, had been passed by Provincial Legislatures. All these Acts were passed during the years 1918 to 1920 and it was not to be expected

that many schemes of compulsion under the Acts would have been framed by the year 1921. Actually by March 1921 compulsion was in force in only six municipal areas in India, of which two areas provided for compulsion for girls as well as for boys.

Between 1921 and 1926 one more provincial Legislature (Assam) passed a Primary Education Act providing for the introduction of compulsion in all local areas and the scope of compulsory education was enlarged by new enactments in four other provinces. But in spite of all the provinces, with the exception of Burma, having made legislative provision for the introduction of compulsion, relatively few schemes were working by the end of the period. Out of the total of 574 areas (96 municipal and 478 rural) in which compulsion had been introduced by the year 1926 as many as 539 were confined to Madras, the Punjab and the United Provinces.

The details for the provinces are given below :—

Madras.—The Madras Elementary Education Act was passed in October 1920 and provided for the levy of an education tax by Local Boards, for an equivalent contribution by Government of any tax levied and for the introduction of compulsion in suitable areas. The Act applied to all local areas and was applicable to both sexes.

Prior to 1922 no scheme for compulsion was sanctioned, but by the end of the year 1925-26 compulsion had been introduced in 4 divisions of the Madras Corporation for boys and girls, in 19 Municipal areas, 17 for boys only and 2 for boys and girls, and in 2 selected rural areas of the Mapilla country for boys only. In the same year 25 municipalities and 95 taluq boards were levying the education cess.

The slow progress in the matter of the introduction of compulsion in rural areas has been attributed to the lack of initiative in framing schemes on the part of Local Boards and to the inability to finance compulsion even with the aid of the proceeds of taxation and the Government's equivalent contribution.

Bombay.—The Bombay Primary Education Act was passed in February 1918 and provided for the introduction of compulsory education for boys and girls in municipal areas. In 1920 the City of Bombay Primary Education Act was passed extending the provisions of the Act of 1918 to the Corporation of Bombay.

By March 1921 five municipalities had introduced compulsion, three for boys only and two for boys and girls.

In February 1923 the Act of 1918 was repealed and a new Primary Education Act passed which provided for the control of primary education by School Boards of Municipalities and District Boards and for the introduction of compulsion for boys and girls in all local areas on the initiative of a local authority or at the direction of Government. But this act did not become operative until the close of the period under review.

By March 1926 six municipalities had introduced compulsion and the City of Bombay Act was in operation in two wards of the Bombay Corporation—compulsion applying to both boys and girls.

Bengal.—The Bengal Primary Education Act was passed in May 1919 and provided for the introduction of compulsion for boys only in Municipal areas, in the first instance, and for the levy of an education cess. No scheme of compulsion has, however, been sanctioned under the Act. It is reported that the chief obstacle to progress in the direction of compulsory education is the reluctance of local bodies to make large contributions for primary education or to undertake fresh taxation.

United Provinces.—In June 1919 the United Provinces Primary Education Act was passed and provided for the introduction of compulsory education for boys in municipal areas only and the United Provinces District Boards Primary Education Act, passed in 1926, extended the provisions of the 1919 Act to rural areas under district boards.

By March 1926 compulsion was in force in 23 municipalities.

Punjab.—The Punjab Primary Education Act was passed in April 1919 and provided for the introduction of compulsory education for boys only in municipal and rural areas.

By March 1921 only one municipality had applied compulsion, but between 1921 and 1926 rapid progress was made and at the end of the period as many as 42 municipalities and 451 rural areas had applied compulsion.

Burma.—No provision exists in Burma at present for the introduction of compulsory education and it has been suggested that so long as such a large proportion of the children at school are educated at Monastic Schools no legislation can usefully be introduced.

Bihar and Orissa.—The Bihar and Orissa Primary Education Act was passed in February 1919 and provided for the making of education compulsory for boys in municipal and rural areas and for the levy of an education cess. By March 1921 one municipality had adopted a scheme for compulsion.

Between 1921 and 1926 little progress was recorded, no municipality and only 3 rural areas adopting compulsion. The main difficulties in the way of a further extension of compulsion have been inadequate finance and lack of suitable accommodation.

Central Provinces and Berar.—The Central Provinces Primary Education Act was passed in May 1919 and provided for the introduction of compulsion for boys and girls in municipal and rural areas. Up to March 1921 no Local Board had taken advantage of the provisions of the Act, mainly owing to the fact that the rules framed under the Act were not published until 1921.

Between 1921 and 1926 considerable progress was made and by the end of the period 3 municipalities and 21 rural areas had introduced

compulsion and schemes for compulsion in 7 municipalities and 47 rural areas were under consideration. 3

Assam.—The Assam Primary Education Act was passed at the end of 1926 and provided for the gradual introduction of compulsion in approved local areas, local bodies paying one-third of the cost and Government paying two-thirds. It has, however, been reported that the actual operation of the Act is likely to be postponed since money, teachers and accommodation are not available to satisfy even the voluntary demand.

CHAPTER VI.—THE EDUCATION OF ADULTS.

It is difficult to give a general outline of the development of schools for the education of illiterate adults, since prior to the year 1922-23 no separate figures were maintained for such schools. Even after the year 1922-23 several provinces have continued to classify adult schools under the primary head or have included under "Adult Schools" all night schools whether they are attended by children or by adults. The figures given below must therefore be read with the reservation that they include a number of night schools not especially intended for adults. Accurate totals are not available for the year 1916.

In 1921 there were 4,651 schools with 108,141 scholars and in 1926 there were 11,227 schools with 282,384 scholars. The figures for 1926 exclude the United Provinces for which no details are available.

The following paragraphs give details for the provinces.

Madras.—In 1916 there were 570 night schools with 13,815 scholars; in 1921 there were 2,175 schools with 52,447 scholars and in 1926 there were 5,287 schools with 136,626 scholars. Throughout the years 1916 to 1921 and the years 1921 to 1926 special subsidies and grants-in-aid were paid to Local Boards and private managements for the opening of night schools, and though the figures for the number of schools include schools which are in fact ordinary elementary schools, endeavours have continuously been made to encourage and recognise only such night schools as provide primarily for the needs of adults. The majority of the schools are intended for artisan and agricultural labourers and for children who at certain seasons cannot attend day schools.

Bombay.—In 1916 there were 133 schools with 3,535 scholars, in 1921 there were 226 schools with 6,418 scholars and in 1926 there were 191 schools with 7,730 scholars. In each period all the schools shown were night schools which were practically confined to the education of adults only.

Between 1916 and 1921 the total number of schools included a number of night schools maintained by the Central Co-operative Institute, Bombay, out of a special endowment, mainly for the purpose of educating the adult members of local co-operative societies. In 1926 the total number of schools included 4 secondary night schools attended by literate

adults, 10 special schools for women and 4 classes conducted by the Adult Educational Association.

Bengal.—Figures for the number of schools in 1916 are not available. There were, in 1921, 1,263 schools with 27,226 scholars, and in 1926, 1,445 schools with 27,773 scholars.

The great majority of these schools were night and continuation schools for ordinary primary school children or for children who had passed the primary stage, but they included a small number of school for adults managed by Co-operative Societies.

United Provinces.—Accurate figures are not available for the years 1916 and 1926 though there was an increase in the number of night schools between 1921 and 1926. In 1921 there were 166 schools with 4,713 scholars. In this year special grants were given by Government to municipalities for opening night schools for children over the age of 12, not in attendance at a day school, and for adults. But up to 1924 only 6 municipal boards had availed themselves of the Government grants.

Punjab.—No figures are available for the year 1916. In 1921 there were 10 schools with 363 scholars and in 1926 there were 3,208 schools with 85,422 scholars.

All the schools included in the above figures were maintained for adults only.

The movement for the removal of illiteracy amongst adults in the Punjab owed its inception to the Co-operative Credit Societies which by 1922 were maintaining over 100 schools for adults. But since 1923 adult schools have been taken over by the ordinary educational agencies and an extensive development of night schools for adults, attached to primary and secondary schools, has taken place. Since 1925 the successful working of adult schools has been considerably helped by the establishment of a large number of village libraries, attached to middle schools and open to adults, and by the supervision and assistance of the Rural Community Board and the District Community Councils.

Bihar and Orissa.—No figures are available for the year 1916. In 1921 there were 787 night schools with 16,075 scholars and in 1926 there were 1,036 schools with 22,701 scholars.

Though the number of schools and scholars has increased, the work and utility of the majority of schools, except the schools in industrial areas, have not been favourably reported on. The extent to which the schools have catered for the illiterate adult population may be estimated by the fact that in 1926 only 45 per cent. of the scholars were adults.

Burma.—No figures are available for the year 1916. In 1921 there were 12 schools with 567 scholars and in 1926 there were 19 schools with 1,065 scholars.

Prior to 1921 there were very few recognised night schools in Burma, though a number of unrecognised institutions were conducted by

honorary workers. In 1924 special grants were paid to night schools for the first time. In recognised night schools no pupils have been admitted who are under 14 years of age. One school for Indian women at Rangoon is included in the total for the year 1926.

Central Provinces and Berar.—No figures are available for the year 1916, but in 1917 there were 32 schools with 515 scholars. In 1921 there were 12 schools with 332 scholars and in 1926 there were 41 schools with 1,067 scholars.

The majority of the schools were managed by the Depressed Class Mission Society and by the Young Men's Christian Association, for the benefit of depressed class pupils and factory employees. In 1926 one of the schools was conducted for women.

Assam.—Accurate figures are not available for the number of night schools opened in Assam between 1916 and 1926. In 1922, 3 night schools are reported to have been working with a total enrolment of 51 pupils and in 1926 a small number of night schools were opened in one district for illiterate adults only.

CHAPTER VII.—SECONDARY EDUCATION.

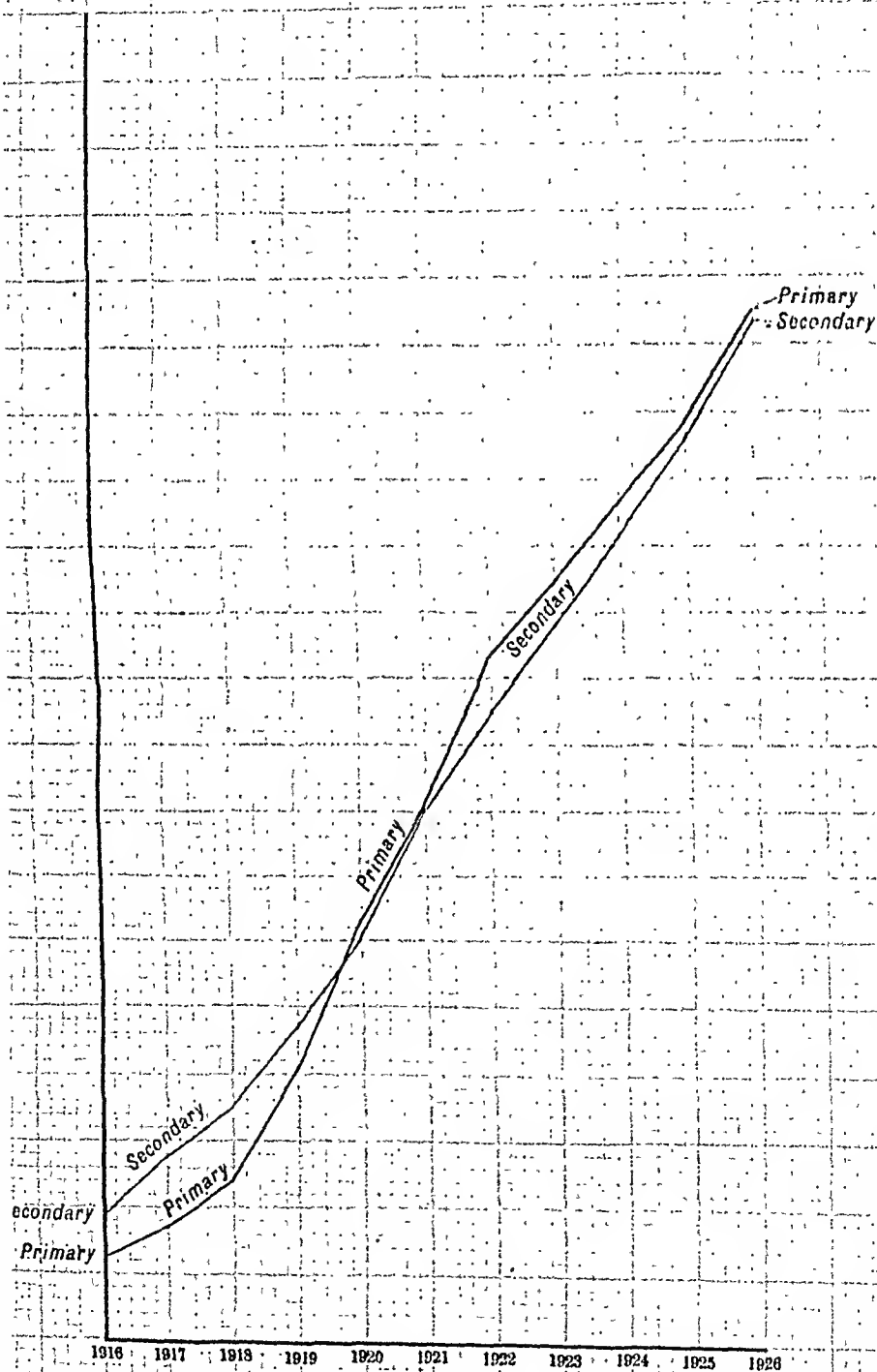
In 1916 there were in British India 7,272 recognised secondary schools with an enrolment of 1,128,403 scholars. In 1921 there were 8,923 schools with 1,254,497 scholars and in 1926 there were 10,837 schools with 1,716,147 scholars. Between 1916 and 1921 the number of schools increased by 1,651 or by 22·7 per cent. and the number of scholars increased by 126,094 or by 11·2 per cent. Between 1921 and 1926 the number of schools increased by 1,914 or by 21·5 per cent. and the number of scholars increased by 461,650 or by 36·8 per cent. Between 1916 and 1921 the rate of increase for male scholars only was 9·2 per cent. and between 1921 and 1926 it was 36·4 per cent. The corresponding figures for female scholars only were 32·6 per cent. and 40·2 per cent. respectively.

Between the years 1920 and 1922 the strength of secondary schools was seriously affected by the non-co-operation movement and by the prevailing economic distress consequent on a large rise in the cost of living. Between these years there was a decrease of over forty-two thousand scholars in secondary schools; but after 1922 the number of scholars increased rapidly, the year 1923 alone showing an increase of as many as 90,632 scholars over the figures for the year 1922.

In 1916 the percentage of pupils reading in secondary schools to the total population was 0·46, in 1921 it was 0·50 and by 1926 it had risen to 0·69.

The staffing of secondary schools in the Governors' Provinces has, with few exceptions, shown steady improvement in both periods. In 1916 the percentage of trained teachers to the total number of teachers

Graph showing the growth of Expenditure on Primary and Secondary Education.



was 36·4, in 1921 it was 43·3 and in 1926 it was 50·6. All Provinces with the exception of Bombay, increased their percentages between 1921 and 1926 and by 1926 the percentages varied from 76·7 in Madras to 17·3 in Bombay. Between 1921 and 1926 Bombay fell from 26·8 per cent. to 17·3 per cent.

Expenditure.—In 1916 the total expenditure on secondary schools from all sources was Rs. 296·19 lakhs ; in 1921 it was Rs. 449·33 lakhs and in 1926 it was Rs. 631·11 lakhs. Between 1916 and 1921 the total expenditure increased by Rs. 153·14 lakhs or by 51·7 per cent. and between 1921 and 1926 the total expenditure increased by Rs. 181·78 lakhs or by 40·5 per cent.

In 1916 Government funds met 22·3 per cent. of the total expenditure, Local Board funds 9·4 per cent. and other sources 68·3 per cent. The corresponding figures for the years 1921 and 1926 were :—1921,—30·9, 8·0 and 61·1 and 1926,—34·6, 8·2 and 57·2.

Between 1921 and 1926 the percentage of expenditure from Government funds increased in Madras, Bengal, United Provinces, Punjab and Assam and declined in Bombay, Bihar and Orissa, Central Provinces and Burma. During the same period the percentage of expenditure from Local Board funds increased in Madras, Bombay, Burma and Bihar and Orissa and decreased in the Punjab, the United Provinces, the Central Provinces and Assam.

The percentage of expenditure on secondary education to the total expenditure on education was 26·7 in 1916, 26·8 in 1921 and 27·7 in 1926. If the percentages for secondary education are compared with the figures for primary education, already given, which were 1916—25·4, 1921—27·0 and 1926—27·9, it will be seen that on the average during the years 1916 to 1926 the percentage spent on primary education was almost exactly equal to the percentage spent on secondary education. Between the years 1921 and 1926 the percentage of expenditure on secondary education to the total expenditure fell in the Provinces of Madras, Bengal, Burma, Bihar and Orissa and in the Central Provinces ; it remained stationary in Bombay, the United Provinces and Assam and rose in the Punjab. In 1926 the percentage varied from 40·6 in Burma to 18·7 in Bombay. A comparison of the figures for the Provinces reveals the fact that in both periods four provinces, Bengal, the United Provinces, Punjab and Burma, spent more on secondary education than on primary education ; while Assam spent less in 1916 and more in 1926. In both periods the difference in the percentage of expenditure on primary and secondary education was very marked as between province and province ; the figures for 1926 being—Excess on Primary over secondary—Madras 15·2, Bombay 30·1, Bihar and Orissa 15·3, Central Provinces 4·6 ; Excess on Secondary over Primary—Bengal 15·6, United Provinces 2·7, Punjab 23·3, Burma 32·0, Assam 2·7. These wide differences are in some measure due, especially in the provinces of Madras, Bombay and the Punjab, to the differences in the classification of primary and secondary schools.

The progress of secondary education in the provinces is summarised in the following paragraphs :—

Madras.—In 1916 there were 440 recognised secondary schools with an enrolment of 143,858 scholars. In 1921 there were 585 schools with 169,634 scholars and in 1926 there were 637 schools with 178,521 scholars. Between 1916 and 1921 the number of schools increased by 145 or by 33·0 per cent. and the number of scholars increased by 25,776 or by 18·0 per cent.

Between 1921 and 1926 the number of schools increased by 52 or by 8·9 per cent. and the number of scholars increased by 8,887 or by 4·9 per cent. Between 1916 and 1921 the rate of increase for male scholars only was 16·8 per cent. and between 1921 and 1926 it was 3·1 per cent. The corresponding figures for female scholars only were 30·6 per cent. and 27·6 per cent. respectively.

Though there was a fall in the rate of expansion between 1921 and 1926 the number of pupils reading in the middle and high school forms largely increased. Between 1921 and 1926 the number of scholars reading in forms I to VI of Indian boys' schools alone increased by 11,571 and the number of boys reading in the VI form increased by 3,000. During the same period the number of boys reading in the lower classes of secondary schools decreased by over 6,000. The fall is accounted for by the fact that after the passing of the Elementary Education Act of 1920 the lower classes of many secondary schools were converted into independent elementary schools.

Considerable improvement has taken place in the staffing of secondary schools, particularly in the period 1921 to 1926. The percentages of the number of trained teachers to the total number of teachers for the years 1916, 1921 and 1926 were 64·3 69·5 and 76·7 respectively

In 1923 District Secondary Education Boards were established for every district in the Presidency, excluding the Agency; but the functions of the Boards were purely advisory and they cannot be said to have influenced materially the progress of secondary education.

Expenditure.—In 1916 the total expenditure from all sources on secondary schools was Rs. 44·24 lakhs; in 1921 it was Rs. 68·37 lakhs and in 1926 it was Rs. 87·33 lakhs. Between 1916 and 1921 the total expenditure increased by Rs. 24·13 lakhs or by 54·6 per cent. and between 1921 and 1926 the total expenditure increased by Rs. 18·96 lakhs or by 27·7 per cent.

In 1916 Government funds met 15·3 per cent. of the total expenditure, Local Board funds 2·4 per cent., fees 62·0 per cent. and other sources 20·3 per cent. The corresponding figures for the years 1921 and 1926 were :—1921—Government funds 22·8, Local Board funds 3·3, fees 54·5 and other sources 19·4. 1926—Government funds 26·6, Local Board funds 5·7, fees 48·9 and other sources 18·8. The percentage of expenditure on secondary education to the total expenditure on education remained practically stationary in both periods, the figures being :—1916,—21·4, 1921,—21·4 and 1926,—21·0.

Bombay.—In 1916 there were 465 recognised secondary schools with an enrolment of 68,149 scholars. In 1921 there were 475 schools with 76,252 scholars and in 1926 there were 496 schools with 93,569 scholars.

Between 1916 and 1921 the number of schools increased by 10 or by 2·2 per cent. and the number of scholars increased by 8,103 or by 11·9 per cent. Between 1921 and 1926 the number of schools increased by 21 or by 4·4 per cent. and the number of scholars increased by 17,317 or by 22·7 per cent. Between 1916 and 1921 the rate of increase for male scholars only was 10·5 per cent. and between 1921 and 1926 it was 23·8 per cent. The corresponding figures for female scholars only were 21·2 per cent. and 16·5 per cent. respectively. The figures do not call for detailed comment, the increases being normal in both periods except for a fall, confined to middle schools, between 1920 and 1921 due to the non-co-operation movement.

The percentage of trained teachers to the total number of teachers has fallen considerably, especially in the period 1921 to 1926. The percentages for the years 1916, 1921 and 1926 were 27·1, 26·8 and 17·2 respectively. Only in Government schools has there been any improvement, the percentage increasing from 42·8 in 1921 to 63·0 in 1926. The reasons adduced for the large number of untrained teachers in non-Government schools are low salaries and unattractive prospects, the temporary nature of the employment of many teachers and the lack of sufficient training facilities.

Expenditure.—In 1916 the total expenditure from all sources on secondary schools was Rs. 34·58 lakhs; in 1921 it was Rs. 49·28 lakhs and in 1926 it was Rs. 70·47 lakhs. Between 1916 and 1921 the total expenditure increased by Rs. 14·70 lakhs or by 42·5 per cent. and between 1921 and 1926 it increased by 21·19 lakhs or by 43·0 per cent.

In 1916 Government funds met 27 per cent. of the total expenditure, Local Board funds 2·3 per cent., fees 45·9 per cent. and other sources 24·8 per cent. The corresponding figures for the years 1921 and 1926 were:—1921—Government funds 34·5, Local Board funds 2·3, fees 37·7 and other sources 25·5; 1926—Government funds 31·4, Local Board funds 3·0, fees 46·0 and other sources 19·6. The percentage of expenditure on secondary education to the total expenditure on education declined between 1916 and 1921, but remained stationary between 1921 and 1926, the figures being—1916,—22·4, 1921,—18·7 and 1926,—18·7.

Bengal.—In 1916 there were 2,588 recognised secondary schools with an enrolment of 387,494 scholars. In 1921 there were 2,741 schools with 360,060 scholars and in 1926 there were 2,781 schools with 392,540 scholars. Between 1916 and 1921 the number of schools increased by 153 or 5·9 per cent. and the number of scholars decreased by 27,434 or by 7·1 per cent. Between 1921 and 1926 the number of schools increased by 40 or by 1·5 per cent. and the number of scholars increased by 32,480 or by 9·0 per cent.

Between 1916 and 1921 the rate of decrease for male scholars only was 8.0 per cent. and between 1921 and 1926 the rate of increase was 8.3 per cent. The corresponding figures for the rates of increase for female scholars only were :—1916 to 1921, 20.4 per cent., and 1921 to 1926, 29.5 per cent.

The fall in the number of scholars during the period 1916 to 1921 was confined to boys' schools and the main reason for the large decrease was the non-co-operation movement, high and middle schools for boys losing over 38,000 scholars between 1920 and 1921 alone. Other contributory causes were the closure of a number of vernacular middle schools and the prevailing economic distress. The low rate of expansion in the number of schools in the period 1921 to 1926 is accounted for by the fact that vernacular middle schools became increasingly unpopular and declined from 271 to 109. On the other hand English high and middle schools increased from 2,470 to 2,672. By 1926 the losses incurred during the non-co-operation movement had been entirely regained and the number of pupils reading in high schools alone showed an increase of 585 over the figures for the year 1919-20. Girls' schools were almost unaffected by the non-co-operation movement and steadily increased in strength, high schools alone increasing in strength between 1916 and 1926 by over 120 per cent.

Very little improvement has taken place in the staffing of secondary schools, the percentages of trained teachers to the total number of teachers being :—1916, 18.4 per cent., 1921, 19.5 per cent., and 1926, 20.1 per cent. In 1925 fees were increased, teachers' salaries were raised and the rates of grant-in-aid were revised, and these measures have improved the prospects of the trained teachers. But there are only two training colleges for graduates in Bengal and the supply of trained teachers continues to be absolutely inadequate.

Expenditure.—In 1916 the total expenditure from all sources on secondary schools was Rs. 80.14 lakhs; in 1921 it was Rs. 104.87 lakhs and in 1926 it was Rs. 121.06 lakhs.

Between 1916 and 1921 the total expenditure increased by Rs. 24.74 lakhs or by 30.9 per cent. and between 1921 and 1926 it increased by Rs. 16.18 lakhs or by 15.4 per cent.

In 1916 Government funds met 15.6 per cent. of the total expenditure, Local Board funds 3.2 per cent., fees 67.1 per cent. and other sources 14.1 per cent.

The corresponding figures for the years 1921 and 1926 were :—

1921,—Government funds 16.8, Local Board funds 2.9, fees 64.6 and other sources 15.7.

1926,—Government funds 20.2, Local Board funds 2.9, fees 59.9 and other sources 17.0.

The percentage of expenditure on secondary education to the total expenditure on education was 31.2 in 1916, 33.9 in 1921 and 32.1 in 1926.

United Provinces.—In 1916 there were 726 recognised secondary schools with an enrolment of 109,291 scholars. In 1921 there were 952 schools with 110,686 scholars and in 1926 there were 1,024 schools with 141,931 scholars. Between 1916 and 1921 the number of schools increased by 226 or by 31·1 per cent. and the number of scholars increased by 1,395 or by 1·3 per cent.

Between 1921 and 1926 the number of schools increased by 72 or 7·6 per cent. and the number of scholars increased by 31,245 or by 28·2 per cent.

Between 1916 and 1921 the rate of decrease for male scholars only was 3·9 per cent., but between 1921 and 1926 male scholars increased by 26·0 per cent. During the same periods female scholars increased by 55·5 and 42·7 per cent. respectively.

In spite of the non-co-operation movement and the economic depression the period 1916 to 1921 witnessed a slight increase in the number of scholars. But the most marked advance was made, both in this period and in the period 1921 to 1926, in the numbers and enrolment of vernacular middle schools. In 1916 there were 449 such schools with 50,772 scholars; in 1921, 632 schools with 50,067 scholars, and in 1926, 719 schools with 68,272 scholars. The slight fall in the number of scholars between 1916 and 1921 was due only to the temporary effects of the non-co-operation movement in the year 1920-21. The expansion of vernacular secondary education was a direct corollary of the expansion in primary education which resulted from the programmes prepared in 1918 and 1919.

The percentage of trained teachers to the total number of teachers has steadily increased, the figures for the years 1916, 1921 and 1926 being 47·7, 51·9 and 58·2 respectively. Between 1916 and 1921 the pay of teachers in Government schools was twice revised and large additional grants were given in 1921 to improve the pay of teachers in aided schools. In 1924 a provident fund scheme for aided schools' teachers was started. These improvements attracted more trained teachers, but the low prospects and the insecurity of tenure in aided schools are still responsible for the low percentage of trained teachers in such schools.

In 1921 the United Provinces Intermediate Education Act was passed and in accordance with its provisions a Board of High School and Intermediate Education was established. The Board conducts the examinations at the end of the High School and Intermediate courses, recognises institutions for the purpose of its examinations and prescribes courses of study for the Intermediate classes and for the High and Middle sections of English Schools.

Expenditure.—In 1916 the total expenditure from all sources on secondary schools was Rs. 38·67 lakhs; in 1921 it was Rs. 55·42 lakhs and in 1926 it was Rs. 89·23 lakhs.

Between 1916 and 1921 the total expenditure increased by Rs. 16·76 lakhs or by 43·3 per cent. and between 1921 and 1926 it increased by Rs. 33·81 lakhs or by 61·0 per cent.

In 1916 Government funds met 28·8 per cent. of the total expenditure, Local Board funds 12·4 per cent., fees 39·5 per cent. and other sources 19·3 per cent.

The corresponding figures for 1921 and 1926 were :—

1921,—Government funds 40·6, Local Board funds 10·2, fees 30·6 and other sources 18·6.

1926,—Government funds 49·9, Local Board funds 6·1, fees 26·1 and other sources 17·9.

In 1916 the percentage of expenditure on secondary education to the total expenditure on education was 27·8. in 1921, 22·9, and in 1926, 28·5.

Punjab.—In 1916 there were 484 recognised secondary schools with an enrolment of 117,662 scholars. In 1921 there were 1,075 schools with 203,591 scholars and in 1926 there were 2,335 schools with 440,655 scholars. Between 1916 and 1921 the number of schools increased by 591 or by 122·1 per cent. and the number of scholars by 85,929 or by 73 per cent.

Between 1921 and 1926 the number of schools increased by 1,260 or by 117·2 per cent. and the number of scholars by 237,064 or by 116·4 per cent.

Between 1916 and 1921 the number of male scholars increased by 76·6 per cent. and the number of female scholars by 35·7 per cent. The corresponding figures for the period 1921 to 1926 were 172·5 per cent. and 34·4 per cent. respectively.

The large rise in the number of schools and scholars in both periods under review, while it includes a considerable increase in the number of high schools and pupils in the higher classes, was mainly due to the reclassification of schools which took place in the year 1919-20 whereby the fifth primary class became secondary in character and to the deliberate policy of converting primary schools into vernacular middle schools.

The relative increases between high schools and vernacular middle schools can be seen from the following figures :—

	1916.	1921.	1926.
High Schools—			
Schools	148	205	306
Pupils	53,714	74,349	114,682
Vernacular Middle Schools—			
Schools	187	674	1,810
Pupils	34,501	89,543	280,487

The percentage of trained teachers to the total number of teachers has shown satisfactory improvement and by 1926 was higher than any other province with the exception of Madras. In 1926 the percentage was 61·3, in 1921, 66·6, and in 1926, 73·9. Simultaneously with the

adoption of programmes for the expansion of primary and middle school education the Government of the Punjab largely increased the facilities for training and this, coupled with an improvement in the pay of teachers, has ensured a fairly adequate supply of trained teachers.

Expenditure.—In 1916 the total expenditure from all sources on secondary schools was Rs. 30·94 lakhs; in 1921 it was Rs. 59·84 lakhs and in 1926 it was Rs. 99·28 lakhs.

Between 1916 and 1921 the total expenditure increased by Rs. 28·90 lakhs or by 93·4 per cent. and between 1921 and 1926 it increased by Rs. 39·44 lakhs or by 65·9 per cent.

In 1916 Government funds met 21·8 per cent. of the total expenditure, Local Board funds 18·4 per cent., fees 46·3 per cent. and other sources 13·5 per cent.

The corresponding figures for the years 1921 and 1926 were :—

1921,—Government funds 33·6. Local Board funds 15·5, fees 34·2 and other sources 16·7.

1926,—Government funds 43·2. Local Board funds 12·5, fees 33·4 and other sources 10·9.

The percentage of expenditure on secondary education to the total expenditure on education has largely increased. the increase being mainly due to the increase in the number of vernacular middle schools. In 1916 the percentage was 27·6, in 1921, 32·5, and in 1926, 38·8.

Burma.—In 1916 there were 1,331 recognised secondary schools with an enrolment of 122,894 scholars. In 1921 there were 1,440 schools with 129,804 scholars and in 1926 there were 1,674 schools with 188,168 scholars.

Between 1916 and 1921 the number of schools increased by 109 or by 8·2 per cent. and the number of scholars increased by 6,915 or by 5·6 per cent.

Between 1921 and 1926 the number of schools increased by 234 or by 16·3 per cent. and the number of scholars increased by 58,359 or by 45·0 per cent.

Between 1916 and 1921 there was no increase in the number of male scholars, while the rate of increase for female scholars only was 20·7 per cent.

Between 1921 and 1926 the rate of increase for male scholars only was 40·0 per cent. and for female scholars 54·2 per cent.

But for the boycott of schools and colleges which began in 1920 the increase in the number of scholars between 1916 and 1921 would have been considerably larger, a reduction of over 5,000 scholars occurring in the last year of the period alone.

Since 1921 there has been a marked demand for education in Anglo-Vernacular schools and for the teaching of English in Vernacular Schools. While between 1916 and 1921 there was a fall in the number of pupils

reading in high schools, between 1921 and 1926 the number of such pupils rose by 119·8 per cent. The corresponding rise in the number of pupils reading in vernacular middle schools was only 26·1 per cent.

In 1916 the percentage of trained teachers to the total number of teachers was 42·6. The percentage rose to 57·1 in 1921 and to 58·8 in 1926.

The marked improvement between 1916 and 1921 was mainly due to the raising of the qualifications necessary to enter on the various courses of training, the reduction in the period of training in all grades to one year, the insistence on a university degree as a preliminary qualification for teaching work in a high school and to the training of graduates by a department of the University. In the period 1921 to 1926 little improvement was recorded and this has been attributed to the unattractiveness of the teaching profession and to lack of adequate facilities for higher grade training. In 1924 a scheme for the training by the University of all teachers for Anglo-Vernacular and English schools was under consideration, but it had not matured by the end of 1926.

In 1918 an advisory Anglo-Vernacular School Board was constituted and in 1919 a similar Board was established for English schools. In 1925 the two Boards were amalgamated and the new Board has since controlled the English and Anglo-Vernacular School and Middle School examinations and has advised the Educational Department on all matters connected with secondary education.

Expenditure.—In 1916 the total expenditure from all sources on secondary schools was Rs. 28·39 lakhs; in 1921 it was Rs. 41·18 lakhs and in 1926 it was Rs. 69·38 lakhs.

Between 1916 and 1921 the total expenditure increased by Rs. 12·19 lakhs or by 45·0 per cent. and between 1921 and 1926 it increased by Rs. 28·20 lakhs or by 68·5 per cent.

In 1916 Government funds met 32·0 per cent. of the total expenditure, Local Board funds 21·1 per cent., fees 41·4 per cent. and other sources 5·5 per cent. The corresponding figures for the year 1921 and 1926 were :—

1921,—Government funds 39·6, Local Board funds 15·9, fees 31·9 and other sources 12·6.

1926,—Government funds 33·1, Local Board funds 17·4, fees 29·4 and other sources 20·1.

The percentage of expenditure on secondary education to the total expenditure on education in Burma was in both periods the highest in India, the figures being 1916,—43·6 per cent., 1921,—44·0 per cent. and 1926,—40·6 per cent.

Bihar and Orissa.—In 1916 there were 466 recognised secondary schools with an enrolment of 68,278 scholars. In 1921 there were 564 schools with 62,336 scholars and in 1916 there were 675 schools with 90,694 scholars.

Between 1916 and 1921 the number of schools increased by 98 or by 21.0 per cent. and the number of scholars decreased by 5,922 or by 8.7 per cent. Between 1921 and 1926 the number of schools increased by 111 or by 19.7 per cent. and the number of scholars increased by 28,338 or by 45.4 per cent.

Between 1916 and 1921 male scholars only decreased by 10.3 per cent., while female scholars increased by 46.4 per cent. Between 1921 and 1926 male scholars increased by 46.4 per cent. and female scholars by 26.9 per cent.

The fall in the number of scholars between 1916 and 1921 was confined to boys' schools and is reported to have been due to the non-co-operation movement, economic distress, epidemics, floods and the raising of the rates of fees. The effect of these causes may be judged by the figures for boys in high schools which show that between 1919-20 and 1921-22 the number of pupils fell by 8,419.

Since 1921 there has been a steady increase in the number of schools and scholars which may be accounted for by the reaction against non-co-operation, improved finances and an increase in grant-in-aid to aided schools.

In 1916 the percentage of trained teachers to the total number of teachers was 32.1. In 1921 it rose to 41.2 and in 1926 it was 50.0. The improvement recorded between 1916 and 1921 was mainly confined to vernacular teachers in middle and high schools and was due in part to the raising of the standard for admission to training classes and to the reduction of the period of training from three to two years. The further improvement which took place between 1921 and 1926 may be attributed to the opening of an additional training college in 1923, the raising of the rates of stipends for students under training and to the improvement in the pay and prospects of teachers.

In 1923 a Board of Secondary Education was constituted. The Board has power to recognise, subject to the concurrence of the Syndicate of the Patna University, the fitness of schools to present candidates at the Matriculation examination and to submit to Government a budget of the sum required for grants to institutions under its control.

Expenditure.—In 1916 the total expenditure from all sources on secondary schools was Rs. 16.25 lakhs; in 1921 it was Rs. 23.28 lakhs; and in 1926 it was Rs. 29.48 lakhs.

Between 1916 and 1921 the total expenditure increased by Rs. 7.03 lakhs or by 43.3 per cent. and between 1921 and 1926 it increased by Rs. 6.19 lakhs or by 26.6 per cent.

In 1916 Government funds met 21.8 per cent. of the total expenditure. Local Board funds 9.4 per cent., fees 53.9 per cent. and other sources 14.9 per cent. The corresponding figures for 1921 and 1926 were:—1921,—Government funds 32.7. Local Board funds 6.9, fees 42.3 and other sources 18.1. 1926,—Government funds 31.6, Local Board funds 12.1, fees 42.7 and other sources 13.6.

In 1916 the percentage of expenditure on secondary education to the total expenditure on education was 19·2, in 1921 it was 20·4 and in 1926 it was 19·2.

Central Provinces and Berar.—In 1916 there were 439 recognised secondary schools with an enrolment of 56,371 scholars. In 1921 there were 569 schools with 68,525 scholars and in 1926 there were 576 schools with 86,285 scholars.

Between 1916 and 1921 the number of schools rose by 130 or by 29·6 per cent. and the number of scholars rose by 12,154 or by 21·6 per cent. Between 1921 and 1926 the number of schools rose by 4 or by 0·7 per cent. and the number of scholars rose by 17,760 or by 25·9 per cent.

Between 1916 and 1921 the percentage of increase of male scholars only was 18·0 and between 1921 and 1926 it was 26·4. The corresponding figures for female scholars only were 90·9 and 19·6 respectively.

Though there was a rise in the total number of scholars between 1916 and 1921 the non-co-operation movement and famine seriously interfered with progress. The non-co-operation movement, however, only affected Anglo-Vernacular boys' schools in which there was a drop of over 3,000 pupils between 1919-20 and 1920-21. Between 1916 and 1921 high schools and middle English schools for boys lost 3,674 pupils, while vernacular middle schools for boys increased by over 14,000 pupils.

Since 1921 the scholars in all grades of institutions have increased very largely, particularly in middle English schools for boys which, though they slightly decreased in numbers, increased in strength by nearly 8,000. In 1923 a uniform curriculum, with English as an optional subject, was sanctioned both for middle English schools and for Vernacular middle schools and with the increased provision for the study of English there was a large accession to their strength.

A very marked improvement has taken place in the staffing of secondary schools. The percentage of trained teachers to the total number of teachers was 38·9 in 1916, 50·1 in 1921 and 64·2 in 1926. The satisfactory progress recorded was mainly due to the increased output of trained teachers as a part of the definite programme of expansion of secondary education, the reorganisation in 1919 of the Government Training College, the improvement in the pay of teachers and to the raising of the rates of stipends.

In 1922 the Central Provinces High School Education Act was passed and in accordance with its provisions a Board of High School Education was established. The functions of this Board include the prescribing of courses of instruction for high and middle school classes, the conducting of high school examinations and the recognition of institutions for the purposes of its examinations.

Expenditure.—In 1926 the total expenditure from all sources on secondary education was Rs. 11·63 lakhs; in 1921 it was Rs. 21·57

lakhs and in 1926 it was Rs. 25.61 lakhs. Between 1916 and 1921 the total expenditure rose by Rs. 9.94 lakhs or by 85.5 per cent. and between 1921 and 1926 it rose by Rs. 4.04 lakhs or by 18.7 per cent.

In 1916 Government funds met 28.5 per cent. of the total expenditure, Local Board funds 32.9 per cent., fees 28.1 per cent. and other sources 10.5 per cent.

The corresponding figures for 1921 and 1926 were :—

1921,—Government funds 52.1, Local Board funds 19.4, fees 18.1 and other sources 10.4.

1926,—Government funds 49.1, Local Board funds 16.8, fees 24.6 and other sources 9.5.

In 1916 the percentage of expenditure on secondary education to the total expenditure on education was 24.3; in 1921 it was 27.7 and in 1926 it was 24.9.

Assam.—In 1916 there were 263 recognised secondary schools with an enrolment of 37,163 scholars. In 1921 there were 335 schools with 40,088 scholars and in 1926 there were 365 schools with 46,940 scholars. Between 1916 and 1921 the number of schools rose by 72 or 27.4 per cent. and the number of scholars rose by 2,925 or by 7.9 per cent. Between 1921 and 1926 the number of schools rose by 30 or by 9.0 per cent. and the number of scholars rose by 6,852 or by 17.1 per cent.

Between 1916 and 1921 the rate of increase for male scholars only was 5.3 per cent. and between 1921 and 1926 it was 16.6 per cent. The corresponding figures for female scholars only were 43.3 per cent. and 21.8 per cent. respectively.

In spite of the effects of non-co-operation which were felt at the close of the period 1916 to 1921 and of the prevailing poverty, the strength of secondary schools had increased by 1921, though the expansion was neither satisfactory nor economic owing to the disproportionate increase of schools to scholars.

Between 1921 and 1926 there was a normal increase in the number of scholars which was shared almost equally by the three classes of secondary institutions.

The percentage of trained teachers to the total number of teachers was 30.3 in 1916, 39.2 in 1921 and 44.8 in 1926.

For the training of graduate and under-graduate teachers Assam has had to depend on training institutions in Bengal and, though the figures show that progress has been made, any really rapid advance has been prevented by the absence of local facilities for training.

Expenditure.—In 1916 the total expenditure from all sources on secondary education was Rs. 6.88 lakhs; in 1921 it was Rs. 9.85 lakhs; and in 1926 it was Rs. 12.22 lakhs.

Between 1916 and 1921 the total expenditure increased by Rs. 2.97 lakhs or by 30.3 per cent. and between 1921 and 1926 it increased by Rs. 2.37 lakhs or by 24.0 per cent.

In 1916 Government funds met 30·3 per cent. of the total expenditure, Local Board funds 11·6 per cent., fees 48·4 per cent. and other sources 9·7 per cent.

The corresponding figures for 1921 and 1926 were :—

1921,—Government funds 40·3, Local Board funds 8·7, fees 40·1 and other sources 10·9.

1926,—Government funds 47·0, Local Board funds 9·6, fees 33·9 and other sources 9·5.

In 1916 the percentage of expenditure on secondary education to the total expenditure on education was 25·6, in 1921 it was 30·1 and in 1926 it was 30·1.

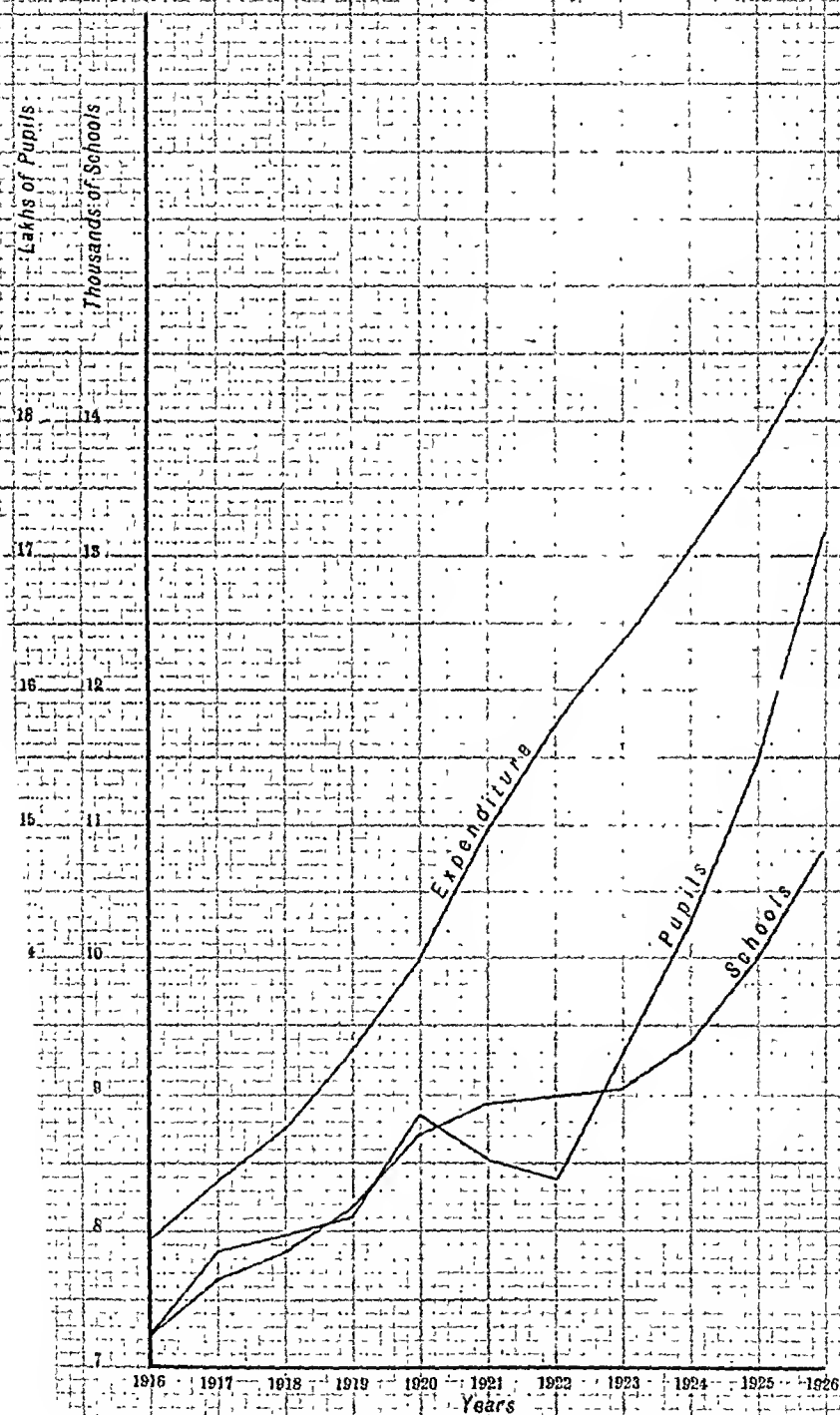
CHAPTER VIII.—UNIVERSITIES AND COLLEGIATE EDUCATION.

(I) *Universities.*

The number of Universities in British India was 5 in 1917, 12 in 1922 and 13 in 1926. The total number of scholars attending University courses was 58,639 in 1917 ; 59,595 in 1922 and 87,589 in 1926. These figures exclude the details for the Andhra and Agra Universities which did not commence to function until after March 1926. They also exclude the Mysore and Osmania Universities, which are situated outside British India, and the students reading in colleges located in Indian States.

As a result of the Despatch of 1854 the first University in India was established at Calcutta in 1857 and by the year 1887 four more Universities had been started at Bombay, Madras, Lahore and Allahabad. These 5 Universities were purely affiliating and examining bodies and between 1887 and 1902 the number of Arts Colleges affiliated to the Universities rose rapidly from 86 to 140. Private enterprise was stimulated by the recommendations of the Commission of 1882 and by 1902 out of the total of 140 Arts Colleges 108 were under private management. This rapid development placed a severe strain on the existing organisations of the Universities and it became evident that the Universities had not sufficient powers to supervise and control the affiliated colleges and their teaching. Mainly for this reason the Universities Commission of 1902 was appointed and in consequence of its recommendations the Universities were reconstituted by the Indian Universities Act of 1904 which strengthened the educational element on the Senates, increased the proportion of elected fellows, gave wider powers to the Universities in the matter of the control, inspection and affiliation of colleges and provided for the undertaking of teaching and research work by the Universities themselves. The five Universities remained, however, as affiliating types of Universities and between 1904 and 1917 the number of affiliated colleges in each University and the number of students reading in them expanded so rapidly that it became obvious

Graph showing the progress of Secondary Schools, pupils in them and total Direct Expenditure on them.



that further expansion on the same lines would seriously endanger efficiency. By 1917 there were 184 colleges, affiliated to the five Universities with a total enrolment of 61,225 students of which 28,618 were reading in colleges affiliated to the Calcutta University alone. The Government of India were alive to the danger of unrestricted affiliation and in their Resolution of 1913 suggested that it was necessary to limit the area over which affiliating Universities had control and to establish new local teaching and residential Universities. The Report of the Calcutta University Commission, which was presented in March 1919, confirmed the opinion as to the need for the reorganisation of the existing Universities and for the creation of local Universities of a new type, and in January 1920 the Government of India issued a Resolution summarising the report of the Commission and commending its recommendations to the consideration of all Local Governments. In consequence of this recognition of the need for reorganisation and expansion and in consequence of local patriotism and communal enthusiasm the period 1917 to 1926 witnessed a rapid growth in the number of Universities and a great change in their character. By March 1926 out of the 13 Universities in existence 5 were definitely unitary in character and 6 others had largely developed their teaching sides though they remained affiliating in character.

In May 1924 a conference of the representatives of Indian Universities was held at Simla and an important step towards the co-ordination of University work was taken by the establishment of an Inter-University Board to consider all important questions affecting the policy, administration and development of the various Indian Universities. The first meeting of the Board was held at Bombay in March 1925.

Expenditure.—In 1917 the total expenditure on Universities was Rs. 25·51 lakhs, of which Rs. 4·82 lakhs were Government funds, Rs. 15·97 lakhs fees and Rs. 4·71 lakhs other sources. In 1922 the total expenditure was Rs. 76·04 lakhs, of which Rs. 22·28 lakhs were Government funds, Rs. 25·08 lakhs fees and Rs. 28·67 lakhs other sources.

In 1926 the total expenditure was Rs. 95·41 lakhs, of which Rs. 46·58 lakhs were Government funds, Rs. 39·43 lakhs fees and Rs. 9·40 lakhs other sources.

The increase in the expenditure from Government funds and other sources between 1917 and 1922 is mainly accounted for by the large capital expenditure on new Universities.

Between 1916 and 1921 new Universities were established at Benares, Patna, Aligarh, Rangoon, Lucknow and Dacca, and between 1921 and 1926 the Delhi and Nagpur Universities were founded.

THE CALCUTTA AND BOMBAY UNIVERSITIES.—Since the passing of the Universities Act of 1904 no material alteration has taken place in the organisation of the Universities of Bombay and Calcutta, though the latter University was considerably reduced in size owing to the

foundation of the Dacca University in 1922. Both Universities have, however, in accordance with the provisions of the Act of 1904, developed their teaching sides considerably.

By the year 1926 the Bombay University had an endowed lectureship in Languages and Literature, a chair of Sociology and a chair of Economics, and in Calcutta University there were Law, Economics, Mental and Moral Science, Higher Mathematics, Ancient Indian History, Comparative Philology, English, Chemistry, Physics, Botany, Applied Mathematics, Indian Fine Arts, Phonetics and Agriculture Professorships. The Calcutta University also maintained its own College of Science and a Law College. In both Universities there were a large number of University Assistant Professors, Fellows, Lecturers, Readers and Research Scholars.

Except for the transfer of control from the Government of India to the Local Government and the foundation of the Dacca University the Report of the Calcutta University Commission resulted in no important changes in the Calcutta University.

THE MADRAS UNIVERSITY.—The Madras University was reorganised by an Act of the Local Legislature in 1923. This Act attempted to combine the functions of a teaching and residential University with those of an affiliating University by providing for a teaching University with constituent colleges in Madras City and the retention of the powers of affiliation, inspection and control of mufassil colleges by the University. The Act further provided for the creation of an enlarged Senate with an elective majority, the establishment of an Academic Council and a Council of affiliated colleges and the appointment of a whole-time paid Vice-Chancellor.

By 1926 the University had under its direct control a Department of Economics with a University Professor, a Reader and two Lecturers and a Department of Indian History and Archæology with a Professor. In 1916 a chair of Comparative Philology was created, but the Professorship has been vacant since 1919.

In addition to these Professorships the University provided for the delivery of a number of special University lectures and for the maintenance of several readerships and research scholarships.

THE ALLAHABAD UNIVERSITY.—The Allahabad University was reconstituted by an Act of the United Provinces Legislative Council in 1921. As a result of the provisions of this Act the University was divided into an "internal" side—comprising a Unitary and Teaching University in Allahabad City and an "external" side consisting of the affiliated institutions situated at other centres. The teaching University ceased to maintain intermediate classes, and intermediate education in all colleges came under the control of a Board of High School and Intermediate Education. With the passing of the Agra University Act in August 1926 the external side of the University has, however, been completely removed.

Between 1904 and 1926 the teaching side of the University was developed by the establishment of a University School of Law, a Professorship of Modern History and a Chair of Post-Vedic studies (abolished in 1918). Since 1923 the internal side of the University has provided for instruction in English, Philosophy, History, Sanskrit, Arabic, Persian, Urdu, Hindi, Mathematics, Physics, Chemistry, Botany, Zoology, Commerce, Economics, Teaching and Law.

THE PUNJAB UNIVERSITY.—The Punjab University was established in 1882 and, except for the creation of an Academic Council in 1922, its organisation has not been materially altered since that date. By 1926 the teaching side of the University had been developed so as to include the management of a Law College and an Oriental College and departments of Mathematics, Economics, Botany, Zoology, Physical Chemistry and Inorganic Chemistry, with whole-time and part-time Professors attached.

THE BENARES UNIVERSITY.—The Benares Hindu University was established by an Act of the Imperial Legislative Council in 1915 and came into being in October 1917. The creation of this University was the result of the development of a long cherished scheme for the establishment of an All-India Unitary and Residential University for Hindus and its foundation was made possible by the large contributions which were donated by Ruling Princes and private persons.

By 1926 there were seven constituent colleges of the University—an Arts and Science College, a College of Oriental Learning, a College of Theology, a Teachers' Training College, an Engineering College, an Ayurvedic College and a Law College. The University also maintains a separate department of Mining and Metallurgy.

THE PATNA UNIVERSITY.—The Patna University was established by an Act of the Indian Legislature in 1917. The intention of the Act was to create a University which would be both teaching and federal in character but hitherto the University has remained an affiliating and examining body and by the year 1926 the teaching side of the University was only represented by Readerships in Indian Economics, Natural Science and Hindi.

THE RANGOON UNIVERSITY.—The University of Rangoon was established by an Act of the Burma Legislative Council in 1920. This Act provided for a Residential and Teaching University at Rangoon with two constituent Colleges, but by an amending Act of 1924 the power of affiliating colleges outside Rangoon was given to the University Council and the affiliation of a Government Intermediate Constituent College at Mandalay in 1925 has created an anomaly within the Teaching University. The College is managed on behalf of the University by a Governing Body of nominated and elected members.

By the year 1926 the University Departments of teaching included Arts, Science, Geology, Geography, Teaching, Law, Engineering, Forestry, Medicine and Fine Arts.

THE ALIGARH UNIVERSITY.—By the Muslim University Act of 1920 the Muhammadan Anglo-Vernacular Oriental College at Aligarh was converted into the Aligarh Muslim University. The University is Unitary and Residential and, in the same manner as the establishment of the Benares University represented the fulfilment of the ambitions of the Hindu community, the Aligarh University was the outcome of communal enthusiasm and private generosity among Muslims all over India. By 1926 the University was maintaining departments of English, History, Economics, Philosophy, Physics, Chemistry, Mathematics, Geography, Sunni Theology, Shia Theology, Arabic, Persian, Urdu, Sanskrit, Botany, Zoology, Law, Education and Islamic studies.

THE LUCKNOW UNIVERSITY.—The Lucknow University was established by an Act of the United Provinces Legislative Council in 1920. The University is a Teaching and Unitary University, with all teaching organised directly by the University. By the year 1926 the University departments of teaching included Arts, Science, Law, Commerce and Medicine.

THE Dacca UNIVERSITY.—The founding of the Dacca University was the direct outcome of the Report of the Calcutta University Commission and the University was established by an Act of the Imperial Legislature in 1920. It is a Residential and Teaching University with all teaching controlled directly by the University except the teaching in Education which is under Government.

By 1926 the University Departments of teaching included Arts, Science, Education, Law, Commerce and Agriculture.

THE DELHI UNIVERSITY.—The Delhi University was established by an Act of the Indian Legislature in 1922. It is a Unitary University with 7 constituent colleges, though the constituent colleges are not under the direct management of the University. Instruction in the Departments of Science and Law is provided entirely by the University and in addition the teaching in the colleges is supplemented by University Readers in Economics and Philosophy.

THE NAGPUR UNIVERSITY.—The Nagpur University was established by an Act of the Central Provinces Legislature in 1923. The University is an affiliating University and is not directly responsible for the organisation of any teaching, except for instruction in Law which is imparted in the University College of Law.

An Andhra University, for the Telugu districts of the Madras Presidency, was established in April 1926 and the Agra University Act was passed in August of the same year. Both Universities are affiliating Universities.

(II) Arts and Professional Colleges.

Arts Colleges.—In 1916 there were 147 Arts Colleges in British India with an enrolment of 45,818 scholars; in 1921 there were 160 colleges with 48,170 scholars; and in 1926, 215 colleges with 69,869 scholars.

The figures show that there has been a rapidly increasing demand for collegiate education, especially in the period 1921 to 1926. Not only has the total number of scholars increased by over 50 per cent. since 1916, but, in spite of the very large increase in the enrolment of all other classes of institutions, the percentage of scholars in Arts Colleges to the total number of scholars in all institutions has slightly risen.

Between 1921 and 1926 the largest increase in the number of colleges occurred in the United Provinces, from 20 to 42, and the largest increase in the number of scholars occurred in Bengal, from 19,788 to 25,021.

In Bengal in 1926, 1.1 per cent. of the total number of scholars in all institutions were reading in Arts Colleges as against 0.7, the average for all India.

The total number of scholars appearing for a Degree in Arts and Science increased from 10,169 in 1916 to 14,237 in 1926 and the percentage of those who obtained a Degree in each of the years improved from 51 per cent. to 54 per cent.

Professional Colleges.—In 1916 the total number of Professional Colleges of all kinds was 57; in 1921 it was 72; and in 1926, 80. In 1916 the total number of scholars reading in Professional Colleges was 9,671; in 1921 it was 13,154; and in 1926, 17,720. Between 1916 and 1921 the number of scholars increased by 36.0 per cent. and between 1921 and 1926 by 34.7 per cent. Not only was there a large increase, in both periods, in the number of scholars attending classes for higher Professional Education, but between 1916 and 1926 the percentage of the number of scholars in Professional Colleges to the total number of scholars in all colleges increased from 17.4 to 20.2 per cent.

The following table gives the number and type of the Professional Colleges in each of the years 1916, 1921 and 1926.

	1916.	1921.	1926.
Law College	22	20	12
Medical College	5	8	10
Engineering College	4	5	7
Training College for Teachers	12	19	21
Agricultural College	7	7	9
Veterinary College	5	5	5
Commercial College	1	5	14
Forest College	1	3	2
Total	57	72	80

Law.—Though the number of colleges declined from 22 in 1926 to 20 in 1921 and again to 12 in 1926, the number of scholars largely increased, especially between 1921 and 1926. In 1916 there were 4,557 scholars; in 1921, 5,232 scholars; and in 1926, 8,191 scholars, including 8 ladies. The decrease in the number of colleges between 1921 and 1926 occurred mainly in Bengal, the United Provinces and in Bihar

and Orissa and was due to the closure of inefficient institutions, to a policy of concentration and to the merging of certain institutions into the teaching organisation of new Unitary or Teaching Universities. In spite of the fact that admittedly there has been for a number of years considerable overcrowding in the legal profession the number of students seeking admission into Law Colleges has steadily increased. It has, however, become clear that in recent years large numbers of students read for *Law*, not because they especially desire to take up the legal profession, but because they cannot obtain suitable employment after graduating from Universities and a further two years' study in a Law College postpones the ultimate decision as to the future.

The largest increases in the number of students reading for *Law* between the years 1921 and 1926 occurred in Bengal, Madras and Bombay. In Bengal the number rose from 2,502 to 3,804, in Madras from 568 to 862 and in Bombay from 673 to 908. In addition to the Law Colleges mentioned above there were departments of Law, teaching to a Degree standard, in the Universities of Allahabad, Aligarh, Benares, Dacca, Delhi, Lucknow and Rangoon.

Medicine.—Though the number of Medical Colleges increased from 5 in 1916 to 10 in 1926, the number of medical students only increased from 2,096 in 1916 to 3,770 in 1921 and declined to 3,743 in 1926. The slight reduction in the number of medical students between 1921 and 1926 is, however, no indication of a falling off in the demand for higher medical education, but was due to a definite restriction of admissions owing to the inadequacy of the staff, accommodation and equipment of several colleges to meet the full demand.

In 1926 there were 2 Medical Colleges in Madras, 2 in Bombay, 3 in Bengal, 1 in the Punjab, 1 in Bihar and Orissa and 1 in Delhi (for women).

All the Colleges were Government Colleges except one Municipal College in Bombay, one aided college in Bengal and the aided women's college at Delhi.

In addition to these colleges there were departments of medical study in the Lucknow and Rangoon Universities and a college of Ayurvedic Medicine in the Benares University.

Engineering.—In 1916 there were 1,296 students reading in Engineering Colleges, 1,424 in 1921 and 2,028 in 1926. In 1916 there were only 4 Engineering Colleges, at Madras, Poona, Sibpur and Roorkee. By 1926 three more colleges had been established at Karachi, Moghulpura in the Punjab and at Patna. All the colleges are Government colleges except the Karachi college which is an aided institution. The number of students reading in these colleges fluctuated very considerably in both periods, particularly the number of students reading in the subordinate engineering classes. The latter number has varied in accordance with the state of recruitment to subordinate posts in Government service, but the pressure for admission into the Degree classes has,

in most colleges, been constant and large numbers of applicants have had to be refused admission each year.

Diploma or Degree courses in Civil Engineering are provided for at all the colleges; Mechanical Engineering courses are provided for at Moghulpura, Poona, Sibpur and Madras and Electrical Engineering courses are provided for at Poona and Sibpur. Degree courses in Mining are provided for at Sibpur.

In addition to the above Colleges there is a Department of Engineering in the Rangoon University with Degree courses in Civil Engineering and an Engineering College in the Benares University with courses in Mechanical, Electrical and Mining Engineering.

Education.—The training of teachers has been dealt with in a separate chapter.

Agriculture.—In 1916 there were 487 students reading in Agricultural Colleges; in 1921, 724 students; and in 1926, 1,015. In 1926 there were 9 institutions classified as Agricultural Colleges, including the Government Colleges at Coimbatore, Poona, Lyallpur, Nagpur, Cawnpore, Mandalay, the Mission College at Allahabad, the Imperial Institute of Animal Husbandry at Bangalore and the post-graduate classes at the Pusa Agricultural Research Institute. The Agricultural College at Sabour, in Bihar and Orissa, was closed in 1923 owing to there being little demand for higher agricultural education in that province.

In 1926 there were Degree courses in Agriculture in the Universities of Madras, Bombay, Nagpur and the Punjab.

Commercial.—In 1916 there were 185 students reading in Commercial Colleges; in 1921, 470; and in 1926, 1,507. In 1916 there was only one Commercial College in British India, in 1921 there were 5 colleges, and in 1926, 14 colleges. The large increase in the number of colleges and scholars, especially in the period 1921 to 1926, was undoubtedly due to the demand for higher vocational education which arose partially in consequence of large numbers of graduates in Arts and Science finding themselves faced with the problem of unemployment.

It was in Bombay that the first of the new advanced type of commercial institutions was started by the opening of the Sydenham College of Commerce in 1913, the aim of the college being to prepare students for positions of responsibility in the commercial world.

In 1926 there were 253 students reading in the Sydenham College, but every year since its foundation the number of applicants has far exceeded the possible admissions.

The establishment of the Accountancy Diploma Board at Bombay in 1918 also stimulated the demand for commercial training and by 1926 the Board was holding its examinations for the grant of Auditor's Certificates annually in Allahabad, Bombay, Calcutta, Madras and Rangoon.

By the year 1926 in addition to the University of Bombay, the Universities of Calcutta, Lucknow, Allahabad, the Punjab and Dacca had instituted Degree or Diploma courses in commercial subjects.

Forestry.—In 1916 there were 61 students reading in the Forest College, Coimbatore; in 1921, 143 students were reading in the two colleges at Coimbatore and Dehra Dun; and in 1926 the total enrolment at the two colleges was 113.

In 1920 a Forest College was opened at Dharwar in Bombay and 8 students attended the courses, but the college was closed in 1922.

In 1926, in addition to the instruction provided in these colleges there were a B.Sc. Degree course and a Diploma course in Forestry in the Rangoon University.

Veterinary.—In both the periods under review there were 5 Veterinary Colleges, at Madras, Calcutta, Bombay, Lahore and Insein, and the total number of students was 407 in 1916, 431 in 1921 and 320 in 1926. The reduction in the number of students between 1921 and 1926 is attributed to the shortage of openings in Government service.

CHAPTER IX.—THE EDUCATION OF GIRLS.

In 1916 the total number of recognised institutions for women was 18,672; in 1921,—23,584 and in 1926,—27,110.

In 1916 the total number of female scholars reading in all classes of recognised institutions was 1,112,024; in 1921, 1,346,857; and in 1926, 1,624,559.

Between 1916 and 1921 the total number of institutions increased by 26·3 per cent. and the number of scholars by 21·1 per cent. and between 1921 and 1926 the number of institutions increased by 14·9 per cent. and the number of scholars by 26·6 per cent.

The percentage of female scholars in recognised institutions to the total female population was 0·9 in 1916, 1·1 in 1921 and 1·3 in 1926. These figures may be compared with the percentages for male scholars which were:—1916,—4·7, 1921,—5·1 and 1926,—6·5. Not only has the standard of female education remained far behind that of males, but the progress made has been relatively slower than the progress made in the education of boys.

The obstacles in the way of progress in the education of girls have been many and to the difficulties which are common to the education of both boys and girls have to be added—traditional prejudice, early marriage, the Purdah system, the lack of women teachers and the relatively high cost of providing girls' schools.

The special steps which have been taken to overcome these difficulties have been discussed below for each province but throughout India the education of girls has been encouraged by the remission of fees,

the reservation of scholarships, the opening of separate institutions, the creation of a body of trained women teachers, the employment of women inspecting officers and the appointment of women's advisory committees.

The individual provinces have, however, varied very considerably in their rate of progress and in their stage of advancement.

During the whole period from 1916 to 1926 the Central Provinces were unable to increase the percentage of girls under instruction and Bihar and Orissa and Assam only improved by 0.1 per cent. But Madras increased its percentage by 0.9 and Bombay by 0.7.

In Bombay, Bengal and the United Provinces greater progress was recorded between 1916 and 1921 than between 1921 and 1926 while in the Central Provinces the percentage actually declined between 1921 and 1926. Progress in Madras and in Burma was much more rapid between 1921 and 1926 than between 1916 and 1921 and in Burma the percentage of girls under instruction, which had declined from 2.0 in 1916 to 1.8 in 1921, rose to 2.3 in 1926.

By 1926 the percentage of girls under instruction varied from 2.3 in Madras and Burma to 0.5 in the United Provinces and the Central Provinces and all other provinces with the exception of Bombay (2.1) had less than one per cent. of their female population under instruction.

The higher education of women has progressed considerably, but the number of women reading in colleges and high schools still only represents a minute proportion of the total number of female scholars. In 1916, 600 or 0.05 per cent. of the total number of women under instruction were in colleges; in 1921, 1,388 or 0.10 per cent. and in 1926, 2,205 or 0.13 per cent. In 1916, 23,254 girls or 2.0 per cent. were in high schools; in 1921, 33,915 or 2.7 per cent. and in 1926, 51,560 or 3.1 per cent. In 1916 the figures for colleges included 79 women in Medical Colleges and 52 in Training Colleges for teachers; in 1921, 176 women in Medical Colleges, 56 in Training Colleges and 3 in Commercial Colleges and in 1926, 182 in Medical Colleges, 134 in Training Colleges and 8 in Law Colleges.

The number of scholars in primary schools increased from 993,198 in 1916 to 1,210,558 in 1921 or by 21.9 per cent. and from 1,210,558 in 1921 to 1,434,639 in 1926 or by 18.5 per cent. Primary schools increased more rapidly in numbers and strength between 1916 and 1921 than between 1921 and 1926 and the lower rate of increase in the number of schools and scholars between 1921 and 1926 appears to have been due to the tendency on the part of Local Boards to concentrate on the provision of boys schools, and to the exclusion of girls from most schemes of compulsion. Co-education, though practically confined to the lower classes, was common in both periods though the total number of girls reading in recognised boys' schools has slightly declined. In 1916, 40.6 per cent. of the number of girls under instruction were in boys schools; in 1921, 38.2 per cent. and in 1926, 38.0 per cent. The figures for the number of girls in boys schools vary very largely as between

province and province and are dependent on the facilities which exist for the separate education of girls, on the general state of advancement of education, on social customs and on the extent of the feeling against any form of co-education. In 1926 the percentages of the number of girls reading in boys schools to the total number of female scholars in the various provinces were as follows :—Burma 75.1, Madras 53.9, Assam 50.6, Bihar and Orissa 37.0, the Central Provinces 34.2, the United Provinces 33.8, Bombay 33.0, Bengal 14.3 and the Punjab 3.5. It is not perhaps without significance that Burma and Madras which have the highest percentage of girls under instruction are at the top of the above list and that Bengal which has the largest number of separate institutions for girls and the Punjab where social customs are most rigid are at the bottom of the list.

Expenditure.—In 1917 the total direct expenditure on girls' education was Rs. 92.85 lakhs of which Government funds met 38.6 per cent., Local Board funds 21.5 per cent., fees 14.2 per cent. and other sources 25.7 per cent., in 1922 the total expenditure was Rs. 163.09 lakhs of which Government funds met 47.4 per cent., Local Board funds 18.4 per cent., fees 12.2 per cent. and other sources 22.0 per cent. and in 1926 the total expenditure was Rs. 203.38 lakhs of which Government funds met 44.9 per cent., Local Board funds 19.4 per cent., fees 12.9 per cent. and other sources 22.8 per cent.

Between 1916 and 1921 the total expenditure increased by 75.6 per cent. and between 1921 and 1926 by 24.7 per cent.

The following paragraphs give details for the provinces. The figures given in each case exclude boys reading in girls schools and include girls reading in boys' schools.

Madras.—In 1916 there were 1,734 recognised institutions for females with an enrolment of 131,068 female scholars and the total number of female scholars reading in all classes of institutions was 293,617.

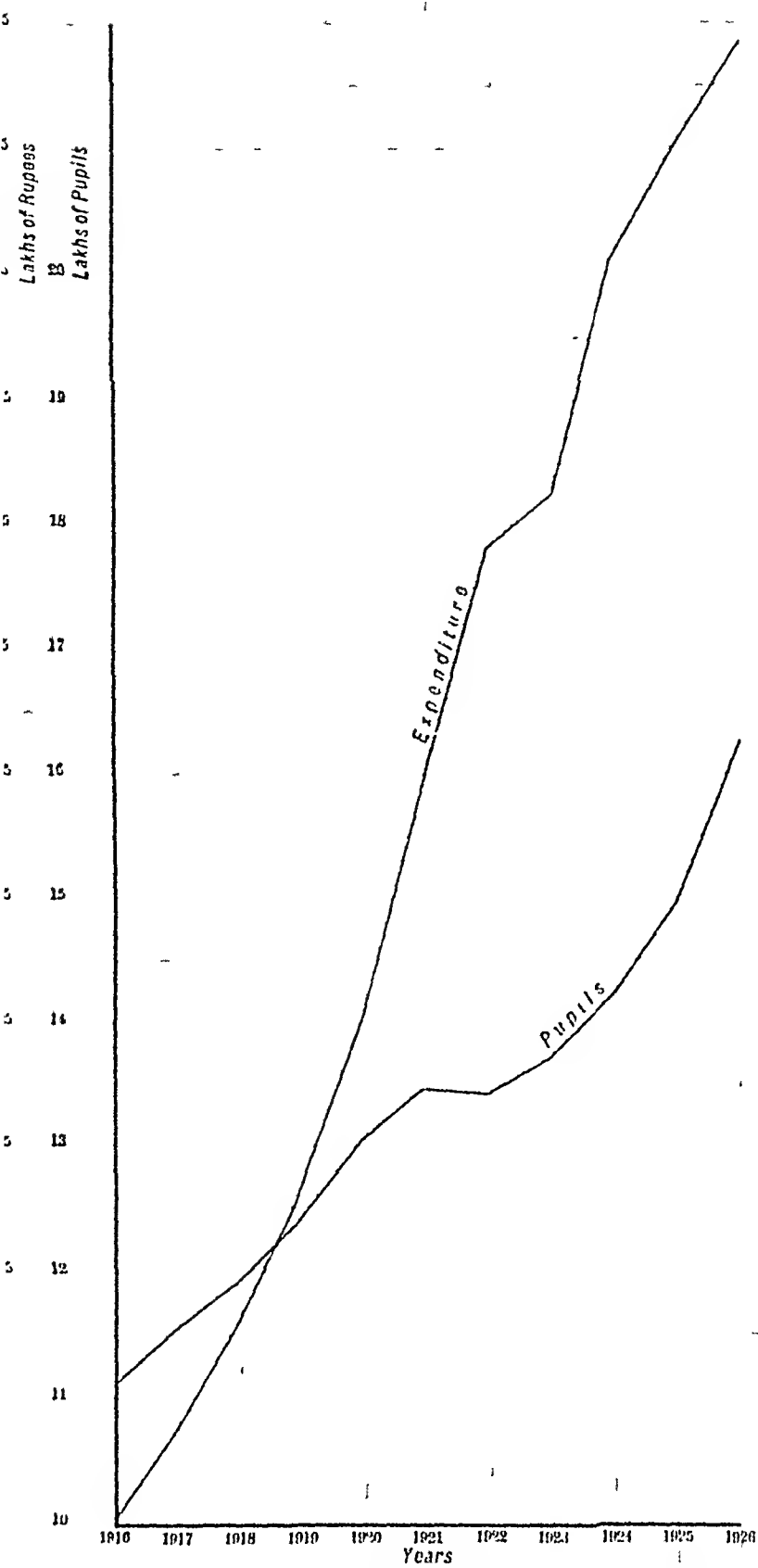
The corresponding figures for 1921 and 1926 were :—1921, 2,556 institutions with 171,831 scholars and a total of 358,402 scholars ; 1926, 3,416 institutions with 224,536 scholars and a total of 486,662 scholars.

Between 1916 and 1921 the number of institutions for females increased by 47.4 per cent. and the total number of female scholars increased by 22.1 per cent. The corresponding figures for the period 1921 to 1926 were 33.6 per cent. and 35.8 per cent. In 1916 the percentage of female scholars in recognised institutions to the total female population was 1.4 ; in 1921, 1.7 and in 1926, 2.3.

While the rate of increase in the number of institutions especially intended for women declined in the period 1921 to 1926, it is noteworthy that the number of girls reading in boys' schools increased by 40.4 per cent., as against an increase of only 14.7 per cent. between 1916 and 1921.

Between 1916 and 1921 the following measures were adopted to improve the education of girls :—Girl pupils were admitted into all classes

*Graph showing the progress of Female pupils in, all
Recognised Institutions and Expenditure (Direct)
on Institutions for Females.*



of institutions at half rates of fees ; a Deputy Directress of Public Instruction was appointed to correlate and direct all the activities of girls education ; the inspecting agency for girls' schools was strengthened ; the scholarships and fee remission for girls in all grades of institutions were largely increased and special scholarships were instituted for Hindu widows ; the number of trained women teachers was increased ; the rates of pay of woman teachers were improved and hostels were attached to a number of institutions for women.

Between 1921 and 1926 the number of widow scholarships and the number of scholarships tenable by girls in colleges and primary schools were increased ; additional facilities were provided for the training of women teachers ; the inspecting agency was strengthened and a woman Specialist in Physical Training was appointed. In this period girl students were only admitted to schools and colleges at half rates of fees on the production of poverty certificates.

COLLEGIATE EDUCATION.—In Collegiate education very considerable progress has been made, especially in the period 1921 to 1926.

In 1916 there were 3 Arts Colleges for women and a total of 151 women scholars, of whom 14 were in Medical Colleges and 3 in Teachers Training Colleges. By 1921 there had been no increase in the number of colleges, but the total number of women scholars had increased to 330, including 25 in Medical Colleges. In 1926 there were 5 Arts Colleges for women and 2 Training Colleges and the total number of scholars was 557, including 46 in Medical Colleges, 41 in Training Colleges and 1 in the Law College.

SECONDARY EDUCATION.—In 1916 there were 71 secondary schools for girls and 11,310 girls were reading in secondary schools ; in 1921 there were 86 schools and 14,813 scholars and in 1926 there were 100 schools and 18,893 scholars.

PRIMARY EDUCATION.—In 1916 there were 1,619 primary schools for girls and 280,558 girl pupils were reading in primary schools ; in 1921 there were 2,411 schools and 340,175 pupils and in 1926 there were 3,243 schools and 462,998 pupils.

Between 1916 and 1921 the number of pupils increased by 21·2 per cent. and between 1921 and 1926 by 36·1 per cent. In the latter period Government handed over the management of all Government primary schools for girls, except those in the Agency tracts, to Local Boards and by 1926 elementary education was compulsory for girls, excluding Muhammadan girls, in seven divisions of the City of Madras and in two other municipalities.

Expenditure.—In 1916 the total direct expenditure on institutions for Indian girls was Rs. 15·97 lakhs, in 1922 the total expenditure was Rs. 29·98 lakhs, towards which Government funds contributed 61·5 per cent., Local Board funds 9·7 per cent., fees 5·2 per cent. and other sources 23·6 per cent. and in 1926 the total expenditure was Rs. 40·36 lakhs, towards which Government funds contributed 50·4 per cent.,

Local Board funds 20·1 per cent., fees 5·4 per cent. and other sources 24·1 per cent.

Bombay.—In 1916 there were 1,198 recognised institutions for females with an enrolment of 87,546 female scholars and the total number of female scholars reading in all classes of institutions was 134,833. The corresponding figures for 1921 and 1926 were :—1921,—1,630 institutions with 116,087 scholars and a total of 180,601 scholars; 1926,—1,634 institutions with 132,650 scholars and a total of 198,114 scholars.

Between 1916 and 1921 the number of institutions for females increased by 36·1 per cent. and the total number of female scholars increased by 34·0 per cent. The corresponding figures for the period 1921 to 1926 were 0·2 per cent. and 9·7 per cent. In 1916 the percentage of female scholars to the total female population was 1·4; in 1921,—2·0 and in 1926,—2·1.

It is difficult to account for the decline in the rate of progress between 1921 and 1926, but the absence of new schools for girls, the shortage of women teachers and the disinclination of parents to send girls to boys' schools would appear to be the main reasons for the lack of greater progress. In this connection it is perhaps noteworthy that, while between 1916 and 1921 the number of girls reading in boys' schools increased by 30 per cent. between 1921 and 1926 the number only increased by 1·4 per cent. It is also significant that even by 1926, 78 per cent. of the pupils studying in colleges and secondary schools were either Europeans, Anglo-Indians, Indian Christians, Brahmins or Parsis.

Between 1916 and 1921 the following measures were adopted to help forward the education of girls :—No fees were charged in Government or District Board primary schools for girls; special scholarships were reserved for girls in primary and secondary schools and for medical training; scholarships were given to women undergoing training in elementary training schools; the pay of women teachers was raised and higher grants were paid to aided girls' schools than those paid to boys' schools.

Between 1921 and 1926 no further special measures were adopted to improve girls' education except that a separate vernacular final examination was instituted for girls in 1924.

COLLEGIATE EDUCATION.—There are at present no special colleges for women in the Bombay Presidency, but the number of women attending Arts and Professional Colleges for men has largely increased, especially in the period 1921 and 1926. In 1916, 106 women were reading in Arts College and 41 in Medical Colleges; in 1921, 238 women were reading in Arts and Professional Colleges, including 63 in Medical Colleges and 4 in Training Colleges for teachers and in 1926, 467 women were reading in Arts and Professional Colleges, including 58 in Medical Colleges, 7 in Training Colleges and 4 in the Law College. The figures indicate that the absence of separate colleges for women has not prevented an advance in collegiate education. But progress has been

almost entirely confined to the European, Anglo-Indian, Indian-Christian, Parsee and Brahmin communities, the members of which form 70 per cent. of the girls reading in colleges.

SECONDARY EDUCATION.—In 1916 there were 80 secondary schools for girls and 8,929 girls were reading in secondary schools; in 1921 there were 84 secondary schools for girls and 10,821 girls were reading in secondary schools and in 1926 there were 80 schools and 12,606 scholars.

Progress in secondary education was slow in both periods and was almost entirely confined to the advanced communities, the total number of girls from backward classes in 1926 being only 235.

PRIMARY EDUCATION.—In 1916 there were 1,093 primary schools for girls and 124,680 girls reading in primary schools; in 1921 there were 1,505 schools and 167,459 scholars and in 1926,—1,498 schools and 182,086 scholars.

Between 1916 and 1921 the number of scholars increased by 34·3 per cent. and between 1921 and 1926 by 8·7 per cent.

The inadequacy of the female inspecting staff and the scarcity of women teachers are reported to be the main causes for the low rate of progress between 1921 and 1926. By the year 1926 compulsion for girls, excluding Muhammadan girls, was in force in two municipalities and in two wards in the city of Bombay.

Expenditure.—In 1917 the total expenditure on Indian girls' schools was Rs. 15·48 lakhs; in 1922, Rs. 34·58 lakhs and in 1926 it was Rs. 43·56 lakhs. In 1926 Provincial funds met 43·7 per cent. of the total cost; Local Board funds 30·2 per cent., fees 8·2 per cent. and other sources 17·9 per cent.

Bengal.—In 1916 there were 8,953 recognised institutions for females with an enrolment of 212,020 female scholars and the total number of female scholars reading in all classes of institutions was 273,850. The corresponding figures for 1921 and 1926 were:—1921,—12,249 institutions with 285,967 scholars and a total of 345,044 scholars; 1926,—13,955 institutions with 332,850 scholars and a total of 388,629 scholars.

Between 1916 and 1921 the number of institutions increased by 36·8 per cent. and the total number of scholars increased by 26·0 per cent. The corresponding figures for the period 1921 to 1926 were 13·9 per cent. and 12·6 per cent. In 1916 the percentage of female scholars to the total female population was 1·3; in 1921,—1·6 and 1926,—1·7.

Between 1916 and 1921 the steps taken to improve the education of girls included the following:—An increase in the inspecting staff; the raising of the pay of women teachers; an increase in the number of primary and secondary scholarships reserved for girls and the establishment of a large number of additional schools for girls. Between 1921 and 1926 no new measures were adopted to further the progress of girls' education but the number of colleges and high schools for girls was increased.

COLLEGIATE EDUCATION.—In Collegiate education rapid progress has been made, especially in the period 1921 to 1926. In 1916 there were 3 Arts Colleges and one Professional College for women and a total of 155 scholars, including 19 in Medical Colleges and 10 in Training Colleges for teachers; by 1921 there had been no increase in the number of colleges but 236 scholars were reading in Arts and Professional Colleges, including 11 in Medical Colleges and 9 in Training Colleges and in 1926 there were 4 Arts Colleges and 3 Professional Colleges and a total of 357 scholars, including 13 in Medical Colleges and 41 in Training Colleges.

SECONDARY EDUCATION.—In 1916 there were 88 secondary schools for girls and 10,991 girls were reading in secondary schools; in 1921 there were 97 schools and 13,231 scholars and in 1926, 115 schools and 17,140 scholars.

In both periods the increase in the number of scholars occurred mainly in the primary classes and between 1921 and 1926 only 33 per cent. of the total increase was represented by scholars reading at the secondary stage.

PRIMARY EDUCATION.—In 1926 there were 8,793 primary schools for girls and 259,640 girl pupils in primary schools; in 1921 there were 12,069 schools and 329,754 pupils and in 1926, 13,789 schools and 369,243 pupils. Between 1916 and 1921 the number of pupils increased by 27 per cent. and between 1921 and 1926 by 12 per cent.

In both periods, as the result of the large increase in the number of separate schools for girls, the number of girls reading in boys' schools declined though the practice of giving extra remuneration to the teachers in rural boys' schools for the holding of special classes for girls was continued.

Expenditure.—In 1917 the total expenditure on institutions for Indian girls was Rs. 11.14 lakhs, towards which Public funds contributed 62 per cent.; in 1922 the total expenditure was Rs. 17.13 lakhs, towards which Public funds contributed 48.9 per cent. and in 1926 the total expenditure was Rs. 21.00 lakhs, towards which Public funds contributed 47.5 per cent.

United Provinces.—In 1916 there were 1,187 recognised institutions for females with an enrolment of 44,970 female scholars and the total number of female scholars reading in all classes of institutions was 58,902. The corresponding figures for 1921 and 1926 were:—1921,—1,454 schools with 57,724 scholars and a total of 90,959 scholars; 1926,—1,803 schools with 73,701 scholars and a total of 110,943 scholars.

Between 1916 and 1921 the number of institutions increased by 22.5 per cent. and the total number of scholars increased by 54.4 per cent. The corresponding figures for the period 1921 to 1926 were 24.0 and 22.0 per cent.

In 1926 the percentage of female scholars to the total female population was 0·2 ; in 1921,—0·4 and 1926,—0·5.

In both periods there was a satisfactory increase in enrolment but the great majority of pupils are still only reading in lower primary classes. In 1917, 98 per cent. of the pupils were in lower primary classes ; in 1922, 92 per cent. and in 1926, 90 per cent.

Between 1916 and 1921 girls' education was encouraged by an increase in the number of special scholarships, the institution of scholarships for widows, the improvement of the pay of women teachers, the establishment of more training schools for women and by increased grants to aided girls' schools. Between 1921 and 1926 the most important measure adopted for the advancement of girls' education was the granting of special subsidies to District Boards for the opening of primary schools for girls.

COLLEGIATE EDUCATION.—In 1916 there were 4 Arts Colleges for women and a total of 75 scholars, including 5 in the Medical College ; in 1921 there were 3 Arts Colleges and a total of 57 scholars including 3 in the Medical College and 2 in Training Colleges for teachers and in 1926 there were 5 Arts Colleges and a total of 124 scholars, including 1 in the Medical College, 1 in the Law College and 4 in Training Colleges.

SECONDARY EDUCATION.—In 1916 there were 95 secondary schools for girls and 9,493 girls were reading in secondary schools ; in 1921 there were 144 schools and 14,757 scholars and in 1926 there were 185 schools and 21,052 scholars.

Between 1916 and 1921 the number of scholars increased by 55 per cent. and between 1921 and 1926 by 43 per cent., but these increases were almost entirely confined to the primary classes of secondary schools ; the increase in the number of scholars reading at the secondary stage between 1921 and 1926 being, for example, only 10 per cent. of the total increase.

PRIMARY EDUCATION.—In 1916 there were 1,064 primary schools for girls and 48,884 girl pupils in primary schools ; in 1921 there were 1,269 schools and 75,515 pupils and in 1926 there were 1,576 schools and 89,306 pupils.

In spite of the large increase in the number of girl schools the number of girls reading in boys' schools steadily increased and between 1916 and 1926 the number of girls reading in all classes of recognised boys' schools increased from 13,932 to 37,242 or by 167 per cent. It may be noted with satisfaction that the largest percentage of increase in the number of scholars between 1921 and 1926 occurred in the Muhammadan and depressed class communities.

Expenditure.—In 1917 the total expenditure on institutions for Indian girls was Rs. 5·90 lakhs of which Government funds bore 28·7 per cent., Local Board funds 36·2 per cent., fees 3·4 per cent. and other sources 31·7 per cent.

In 1922 the total expenditure was Rs. 11·50 lakhs of which Government funds met 42·3 per cent., Local Board funds 30·3 per cent., fees 2·5 per cent. and other sources 24·9 per cent. and in 1926 the total expenditure was Rs. 14·80 lakhs of which Government funds met 46·0 per cent., Board funds 23·6 per cent., fees, 3·7 per cent. and other sources 26·7 per cent.

Punjab.—In 1916 there were 1,010 recognised institutions for females with an enrolment of 51,380 female scholars and the total number of female scholars reading in all classes of institutions was 52,278. The corresponding figures for 1921 and 1926 were:—1921,—1,136 institutions with 61,302 scholars and a total of 62,244 scholars; 1926,—1,291 institutions with 74,855 scholars and a total of 77,612 scholars.

Between 1916 and 1921 the number of institutions increased by 12·5 per cent. and the total number of scholars increased by 19·1 per cent. The corresponding figures for the period 1921 to 1926 were 13·6 and 24·7 per cent., respectively.

In 1916 the percentage of female scholars to the total female population was 0·6; in 1921, 0·7 and in 1926,—0·8.

Though there was a satisfactory increase in the total number of scholars, especially in the period 1921 to 1926, the number of girls reading in classes above the primary stage has remained abnormally low and out of a total of 75,260 girls reading in schools for general education in 1926 only 2,381 were reading in middle and high school classes. The corresponding figures for the year 1921 were 59,839 and 1,713.

Between 1916 and 1921 the following measures were adopted to encourage the education of girls:—The women's inspecting agency was strengthened; additional facilities were provided for the training of teachers; the pay of women teachers was improved; a Hindu Widows Home was opened in Lahore, several hostels were attached to girls' schools and Local Boards were encouraged to open denominational schools with special classes for religious instruction. Between 1921 and 1926 the more important steps taken to improve female education included the reorganisation of the Women's inspectorate, the appointment of a Deputy Directress, the opening of an additional college for women and the replacement of normal schools for women by training classes attached to Government High Schools.

COLLEGIATE EDUCATION.—In 1916 there were one Arts College and one Professional College for women and a total of 59 scholars, including 39 in Training Colleges for teachers; by 1921 there had been no increase in the number of colleges, but 68 scholars were reading in Arts and Professional Colleges, including 30 in Training Colleges and in 1926 there were 2 Arts Colleges and one Professional College for women and a total of 133 scholars including 34 in Training Colleges.

Few Indian women are taking advantage of collegiate education in the Punjab, but it is satisfactory to note that, whereas in 1916 only 6 Hindus, one Sikh and no Muhammadans were reading in Arts Colleges,

by 1926,—21 Hindus, 9 Sikhs and 8 Muhammadans were reading in Arts and Professional Colleges.

SECONDARY EDUCATION.—In 1916 there were 71 secondary schools for girls and 10,272 girls were reading in secondary schools; in 1921 there were 99 schools and 13,936 scholars and in 1926, 108 schools and 18,740 scholars. Between 1916 and 1921 the number of scholars increased by 36 per cent. and between 1921 and 1926 by 34 per cent. But, as has already been indicated, these increases were mainly confined to the pupils reading in the primary classes of secondary schools.

PRIMARY EDUCATION.—In 1916 there were 922 primary schools for girls and 41,161 girl pupils were reading in primary schools; in 1921 there were 1,017 schools and 47,212 pupils and in 1926, 1,162 schools and 57,825 pupils. The number of girls reading in boys' schools in the Punjab is lower than any other province in India and until recent years co-education was almost non-existent. But between 1921 and 1926 the number of girls reading in boys' schools rose from 942 to 2,757 or by 193 per cent.

Expenditure.—In 1922 the total expenditure on Indian schools for girls was Rs. 13·70 lakhs of which Government funds met 41 per cent. and Local Board funds 34 per cent. and in 1926 the total expenditure was Rs. 15·67 lakhs of which Government funds met 48 per cent. and Local Board funds 27 per cent.

Burma.—In 1916 there were 1,000 recognised institutions for females, with an enrolment of 29,698 female scholars and the total number of female scholars reading in all classes of institutions was 113,301. The corresponding figures for 1921 and 1926 were :—1921,—900 institutions with 28,683 scholars and a total of 116,329 scholars; 1926,—907 institutions with 37,863 scholars and a total of 149,867 scholars. Between 1916 and 1921 the number of institution decreased by 10 per cent. and the total number of scholars increased by 2·7 per cent. Between 1921 and 1926 the number of institutions increased by 0·8 per cent. and the total number of scholars by 28·8 per cent. In 1916 the percentage of female scholars to the total female population was 2·0; in 1921,—1·8 and in 1926,—2·3 per cent.

The decrease in the number of schools and scholars between 1916 and 1921 was confined to primary schools only and the reasons for it have already been explained in the chapter on primary education. Burma has a higher percentage of female scholars under instruction than any other province, except Madras, and the highest percentage of female scholars reading in all classes of institutions for boys.

Between 1916 and 1921 the following measures were adopted to encourage the education of girls; the women's inspecting staff was strengthened; increased facilities for the training of women teachers were provided; the curriculum of Anglo-Vernacular girls' schools was revised and special scholarships in Anglo-Vernacular schools were reserved for girls.

Between 1921 and 1926 further important steps were taken to improve girls' education, including the re-organization of the Women's Educational Service, an increase in the number of women inspecting officers and in the number of training schools for women and the establishment of a special cadre of women teachers in Government Anglo-Vernacular boys' schools.

COLLEGIATE EDUCATIONS.—There is no college for women in Burma, but in 1916 there were 12 women reading in Arts Colleges. In 1921 there were 48 women reading in Arts Colleges and in 1926, 129 women were reading in Arts and Professional Colleges, including 3 in Medical Colleges, 3 in Training Colleges for teachers and 2 in the Law College..

SECONDARY EDUCATION.—In 1916 there were 139 secondary schools for girls and 33,034 girls were reading in secondary schools; in 1921 there were 153 schools and 40,106 scholars and in 1926, 199 schools and 61,842 scholars. In Burma unlike other provinces, the number of girls reading in high and middle-school classes has increased more rapidly than the number of girls reading in primary classes and in 1926, 41 per cent. of the total number of girls under instruction were reading in secondary schools as against an average of 10 per cent. for the whole of India.

PRIMARY EDUCATION.—In 1916 there were 855 primary schools for girls and 79,747 girl pupils were reading in primary schools; in 1921 there were 738 schools and 75,461 pupils and in 1926, 677 schools and 86,435 pupils. Separate figures for the number of girls reading in primary schools for girls have not been given since, while large numbers of girls are reading in boys' schools, nearly 40 per cent. of the attendance at girls' schools consists of boys. The majority of primary schools in Burma are classified according to the sex which is in the majority and a separate consideration of the figures for girls' schools does not therefore reveal the real condition of primary education amongst girls. Between 1921 and 1926, in particular, the number of girls reading in all classes of boys' schools largely increased until in 1926, 75 per cent. of the total number of girls under instruction were reading in institutions classified as institutions for males.

Owing to the high percentage of girls reading in boys' schools no figures are given for the total expenditure on the education of girls.

Bihar and Orissa.—In 1916 there were 2,790 recognised institutions for females with an enrolment of 64,956 female scholars and the total number of female scholars reading in all classes of institutions was 114,674. The corresponding figures for 1921 and 1926 were:—1921,—2,695 institutions with 64,755 scholars and a total of 110,776 scholars; 1926,—3,022 institutions with 72,246 scholars and a total of 116,073 scholars. Between 1916 and 1921 the number of institutions decreased by 3·4 per cent. and the total number of scholars by 3·4 per cent. Between 1921 and 1926 the number of institutions increased by 12·1 per cent. and the total number of scholars by 4·8 per cent. In 1916 the percentage of female scholars to the total female population

was 0·6 ; in 1921, 0·6 and in 1926, 0·7 per cent. The fall in the number of scholars between 1916 and 1921 was practically confined to girls in boys' schools and was due to the non-co-operation movement and to the prevailing economic distress.

Between 1916 and 1921 the following steps were taken to improve girls' education :—Special scholarships were reserved for girls in middle and primary schools ; a scheme was initiated for the training of the wives of village school-masters as teachers ; a lady medical officer for all girls' schools was appointed and capitation grants were paid to boys' schools admitting girl pupils.

Between 1921 and 1926 the further steps that were taken to improve the education of girls included the appointment of a Deputy Directress of Public Instruction, an increase in the number of women inspecting officers, the provision of conveyances for girls in secondary schools, the opening of additional training classes for women teachers and an increase in the number of scholarships tenable by girls.

COLLEGIATE EDUCATION.—In 1916 there were no Arts or Professional Colleges for women and no woman was attending college. In 1922 there was one Arts College for women and 6 women were reading in Arts College and in 1926 there was one Arts College and 9 women scholars. Of the 9 scholars reading in 1926 only 4 were Hindus, the remaining scholars being Indian Christians.

SECONDARY EDUCATION.—In 1916 there were 21 secondary schools for girls and 2,233 girls were reading in secondary schools ; in 1921 there were 27 schools and 3,119 scholars and in 1926, 29 schools and 3,958 scholars. The increases in the number of scholars occurred mainly in the lower classes and between 1921 and 1926 the number of scholars reading at the High School Stage increased by only 44, from 100 to 144.

PRIMARY EDUCATION.—In 1916 there were 2,169 primary schools for girls and 95,396 girl pupils were reading in primary schools ; in 1921 there were 2,649 schools and 107,026 pupils and in 1926, 2,967 schools and 111,239 pupils. Between 1916 and 1921 the number of scholars increased by 12·1 per cent., and between 1921 and 1926 by 3·9 per cent. The rise in the number of schools and scholars between 1916 and 1921 does not really represent an actual expansion, since, owing to a reclassification, the figures for 1921 include the figures for schools shown as “ special ” in 1916. Taking primary and special schools together, there was actually a decrease in the number of scholars between 1916 and 1921. In both periods there was a fall in the number of girls reading in boys' schools ; the number falling from 49,718 in 1916 to 43,827 in 1926.

Expenditure.—In 1917 the total expenditure on the education of Indian girls was Rs. 4·31 lakhs of which Government funds met 35·2 per cent. and Local Board funds 42·9 per cent. ; in 1922 the total expenditure was Rs. 5·84 lakhs of which Government funds met 31·2 per cent. and Local Board funds 46·9 per cent. and in 1926 the total expen-

diture was Rs. 7.27 lakhs of which Government funds met 24.3 per cent. and Local Board funds 47.7 per cent.

Central Provinces and Berar.—In 1916 there were 369 recognised institutions for females with an enrolment of 20,242 female scholars and the total number of female scholars reading in all classes of institutions was 35,394. The corresponding figures for 1921 and 1926 were :—

1921,—387 institutions with 22,772 scholars and a total of 39,874 scholars.

1926,—393 institutions with 25,363 scholars and a total of 38,689 scholars.

Between 1916 and 1921 the number of institutions increased by 4.0 per cent. and the total number of scholars by 12.7 per cent. Between 1921 and 1926 the number of institutions increased by 1.6 per cent., but the total number of scholars fell by 3.0 per cent.

In 1916 the percentage of female scholars to the total female population was 0.5 ; in 1921,—0.6 and in 1926,—0.5 per cent. The fall in the number of scholars between 1921 and 1926 was confined to girls in boys' primary schools—a large decrease in the number of such pupils having occurred between 1921 and 1923.

Between 1916 and 1921 the special steps taken to improve girls' education included an increase in the number of scholarships, especially for high and middle schools, the revision of the pay of women teachers, the opening of 12 new Government middle schools for girls and an increase in the rate of stipends of teachers under training. No fees were levied from girls reading in Vernacular boys' schools and in Government Vernacular girls' schools. Between 1921 and 1926 revised curricula were introduced for all classes of schools, college scholarships were instituted, the number of stipends for teachers under training were increased and rewards were paid to Headmasters for the admission of girls in boys' schools.

COLLEGIATE EDUCATION.—There is no college for women in the Central Provinces and in 1916 no woman was attending college. In 1921, 3 women were reading in Arts Colleges and 3 in Training Colleges for teachers and in 1926, 13 women were reading in Arts Colleges.

SECONDARY EDUCATION.—In 1916 there were 41 secondary schools for girls and 2,746 girls were reading in secondary schools ; in 1921 there were 58 schools and 5,329 scholars and in 1926, 58 schools and 6,266 scholars. The increase in the number of scholars in both periods mainly occurred in the lower classes and between 1921 and 1926 the number of girls reading at the High School Stage only increased from 103 to 181. Of the 181 pupils reading in 1926, 131 were Anglo-Indians and Indian Christians and 48 were high caste Hindus.

PRIMARY EDUCATION.—In 1916 there were 323 primary schools for girls and 32,504 girl pupils were reading in primary schools ; in 1921

there were 321 schools and 33,955 pupils and in 1926, 327 schools and 31,794 pupils. Between 1916 and 1921 the number of girls reading in boys' schools increased, but between 1921 and 1926 there was a large fall in the number of girls in boys' schools. Co-education cannot, however, be regarded as having been unsuccessful since even in 1926, 34.4 per cent. of the total number of girls under instruction were reading in boys' schools.

Expenditure.—In 1917 the total expenditure on Indian girls' schools was Rs. 2.27 lakhs, of which Government funds met 67 per cent.; in 1922 the total expenditure was Rs. 4.60 lakhs of which Government funds met 60 per cent. and in 1926 the total Expenditure was Rs. 4.97 lakhs.

Assam.—In 1916 there were 359 recognised institutions for females with an enrolment of 12,938 female scholars and the total number of female scholars reading in all classes of institutions was 27,321. The corresponding figures for 1921 and 1926 were :—

1921,—397 institutions with 14,068 scholars and a total of 28,009 scholars ;

1926,—437 institutions with 16,475 scholars and a total of 33,184 scholars.

Between 1916 and 1921 the number of institutions increased by 10.6 per cent. and the total number of scholars by 2.5 per cent. The corresponding figures for the period 1921 to 1926 were 10.1 and 18.5 per cent. In 1916 the percentage of female scholars to the total female population was 0.8 ; in 1921,—0.8 and in 1926,—0.9 per cent.

Between 1916 and 1921 the following measures were adopted to encourage the education of girls :—Scholarships were reserved for female scholars ; capitation grants were, for the first two years of the period, paid for girls in attendance at boys' schools ; special scholarships were granted for girls reading in schools at Calcutta and a number of secondary schools for girls were opened. Between 1921 and 1926, except for the opening of an additional high school for girls, no further steps of importance were taken to develop women's education.

COLLEGIATE EDUCATION.—There are no colleges for women in Assam and during the period 1916 to 1926 only one woman read in an Arts College.

SECONDARY EDUCATION.—In 1916 there were 23 secondary schools for girls and 2,551 girls were reading in secondary schools ; in 1921 there were 37 schools and 3,656 scholars and in 1926, 37 schools and 4,452 scholars. The increases in the number of scholars were almost entirely confined to the lower classes and between 1921 and 1926 the number of girls reading at the High School Stage increased by only 4. Out of a total of 40 scholars in the highest form in 1926, 20 were Indian Christians.

PRIMARY EDUCATION.—In 1916 there were 333 primary schools for girls and 24,730 girl pupils were reading in primary schools ; in 1921

there were 358 schools and 24,288 pupils and in 1926, 397 schools and 28,664 pupils.

In both periods a large number of girls were reading in boys' schools and in the Hills co-education was general. Between 1916 and 1921 the number of girls reading in boys' schools decreased, but between 1921 and 1926 it increased and in 1926, 50 per cent. of the total number of female scholars were reading in boys' schools.

Expenditure.—In 1917 the total expenditure on Indian girls' schools was Rs. 1.04 lakhs of which Government funds met 29.1 per cent. and Local Board funds 56.3 per cent.; in 1921 the total expenditure was Rs. 1.52 lakhs of which Government funds met 54.2 per cent. and Local Board funds 22.8 per cent. and in 1926 the total expenditure was Rs. 2.11 lakhs.

CHAPTER X.—THE EDUCATION OF MUHAMMADANS.

The Muhammadan population of British India is approximately fifty-nine and a half millions or 24 per cent. of the total population.

Though Muhammadans are generally regarded as educationally backward the percentage of Muhammadan pupils in school to the total Muhammadan population has seldom fallen much below the percentage for all classes of pupils in India. In Madras, the United Provinces, Burma, Bihar and Orissa and in the Central Provinces the percentage of pupils under instruction, both for boys and for girls, is higher than the percentage for all communities and in the Punjab Muhammadan boys are on a level with the male scholars of all communities. In the remaining three provinces the Muhammadan community has not reached the general level of educational advancement of all communities. The backwardness of the Muhammadan community mainly consists, therefore, in its disinclination to make use of the facilities offered for higher education.

In 1916 the total number of Muhammadan pupils in all classes of recognised institutions was 1,533,973, in 1921 it was 1,803,384 and in 1926,—2,396,038. The percentage of pupils in school to the total Muhammadan population was 2.6 in 1916, 3.03 in 1921 and 4.03 in 1926. These percentages may be compared with the percentages for the pupils of all communities, including Muhammadans, which were :—1916,—2.9, 1921,—3.1 and 1926,—4.0. Between 1916 and 1921 the total number of scholars increased by 17.5 per cent. and between 1921 and 1926 it increased by 32.8 per cent. The figures show that considerable progress has been made, especially in the period 1921 to 1926. But even by 1926 only 10.7 per cent. of the scholars were reading in classes above the five lowest primary standards. Accurate separate figures are not available for Muhammadan women for all the years under consideration, but in 1921 the percentage of female scholars to the total Muhammadan female population was 1.09 as against 1.1, the figure for all classes of women in India.

Progress in higher education was slow between 1916 and 1921 but improved rapidly in the period 1921 to 1926.

In 1916 the total number of Muhammadans attending Arts and Professional Colleges was 5,992, including 14 women; in 1921 the number was 6,865, including 13 women, and in 1926 it was 10,650, including 32 women. Between 1921 and 1926 the number of women reading in Arts Colleges rose from 7 to 26 and in 1926 there were 6 Muhammadan women in Medical Colleges. In 1916 the total number of Muhammadans attending secondary schools was 203,216 including 3,705 girls, and in 1921 it was 215,602 including 6,093 girls. Separate figures are not available for the year 1926 for the number of Muhammadans reading in secondary schools, but between 1921 and 1926 the number of pupils reading in both primary and secondary schools together increased by 19·8 per cent. and the figures for the provinces show that good progress was generally recorded in secondary schools.

The special steps taken during the periods under review to encourage Muhammadan education, particularly higher education, are described below for each province, but the general lines of policy advocated by the Government of India and adopted in most provinces are indicated here. The special difficulties which have had to be faced in the development of Muhammadan education have been the importance attached to religious instruction by the Muhammadan community, even at the expense of secular education; the poverty of the Muhammadan community generally, which is largely agricultural in character, and the desire on the part of Muhammadan parents to have their children taught through the medium of Urdu even in areas where Urdu is not a local vernacular. To overcome these difficulties the following measures have been adopted, with increasing success each year, in both periods under review. The opening of separate educational institutions of all grades, for Muhammadans, has been encouraged; special Muhammadan inspecting officers have been appointed to supervise Muhammadan schools and the instruction given in Persian, Arabic and Urdu at other schools; separate training schools for Muhammadans have been opened in order to increase the output of Muhammadan teachers; special Urdu classes have been started in schools situated in localities in which Urdu is not a local vernacular; fee concessions and reserved scholarships have been granted to Muhammadan boys and girls, religious instructors have been appointed in the ordinary secular schools for Muhammadans and recognition has been accorded to a large number of indigenous institutions, such as Maktabas, Mulla schools and Koran Schools, which were willing to adapt themselves to the needs of the ordinary primary school course.

In addition to the Muhammadan pupils reading in recognised schools large numbers of Muhammadans are reading in unrecognised schools in which little or no secular instruction is provided, but the number of pupils in unrecognised schools has steadily decreased during the periods under review. In 1916 there were 233,810 pupils in unrecognised schools; in 1921,—200,575 and in 1926,—184,398.

The following paragraphs give the details for the provinces :—

Madras.—The Muhammadan population of Madras is approximately two million eight hundred thousand or 7 per cent. of the total population of the province. The Muhammadan community in Madras is only backward in so far as higher education is concerned. The percentage of Muhammadan scholars reading in all classes of recognised institutions to the total Muhammadan population has been consistently higher than the percentage for the scholars of all communities and this in spite of the fact that a large number of Muhammadan pupils are reading in unrecognised schools. This statement holds good even for Muhammadan girls, whose percentage of those under instruction to the total female population has continued higher than the corresponding percentage for all classes of girls.

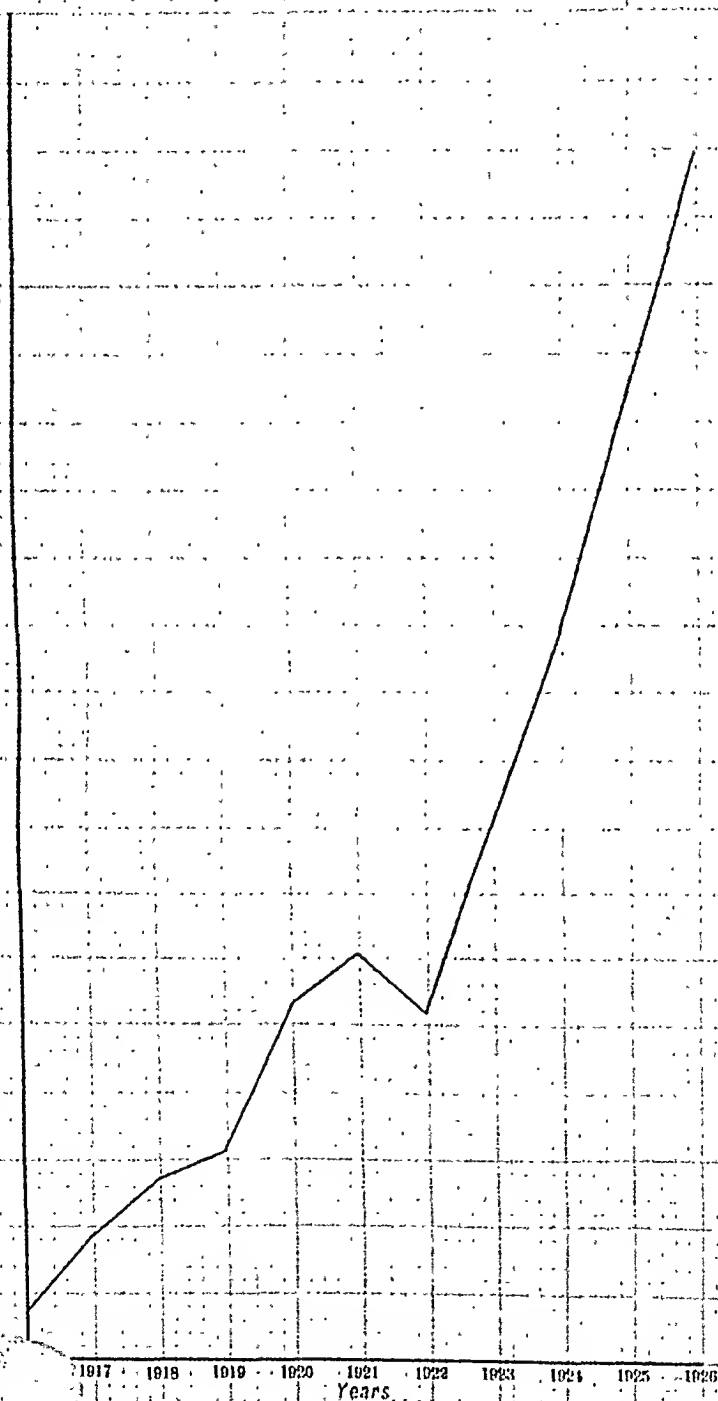
In 1916 the percentage of Muhammadan pupils to the total Muhammadan population was 4·9 ; in 1921 it was 3·5 and by 1926 it has risen to 7·9. The corresponding figures for pupils of all communities were :—1916,—3·6, 1921,—4·1 and 1926,—5·3. The percentages for Muhammadan male scholars only were 8·1, 8·9 and 12·4 as against the percentage for all communities of 5·9, 6·5 and 8·4. The percentages for Muhammadan female scholars only were :—1·8, 2·3 and 3·1 as against the percentages for all communities of 1·4, 1·7 and 2·3. Between 1916 and 1921 the total number of Muhammadan pupils reading in all classes of recognised institutions rose from 135,625 to 158,714 or by 17·0 per cent. and between 1921 and 1926 the number rose from 158,714 to 225,306 or by 41·9 per cent. These figures record satisfactory progress as far as the general literacy of the community is concerned, but in both periods over 90 per cent. of the pupils were confined to elementary schools. In 1916,—92·8 of the male scholars and 99·7 of the female scholars were in elementary schools ; in 1921 the figures were 92·6 and 99·2 and in 1926,—94·0 and 99·1 per cent.

Though the number of Muhammadans reading in colleges and secondary schools is still very small considerable progress has been made, especially between 1921 and 1926.

In 1916 there were 186 Muhammadans in Arts Colleges and 20 in Professional Colleges ; in 1921,—138 in Arts Colleges and 34 in Professional Colleges and in 1926,—297 (including 4 women) in Arts Colleges and 55 in Professional Colleges. The figures for secondary schools were :—1916,—6,962 boys and 17 girls, 1921,—8,036 boys and 203 girls and 1926,—9,032 boys and 330 girls.

Between 1916 and 1921 the following measures were adopted to encourage Muhammadan education :—poor Muhammadan pupils were admitted at half rates of fees into all classes of institutions ; a large number of special scholarships were sanctioned ; additional training schools for Muhammadan men and women were opened ; two colleges for men, three secondary schools, including one for girls, and two middle-schools for Mappillas were established ; Urdu classes were attached to a number of Local Board secondary schools ; many unrecognised Maktabas

Graph showing the progress in the number of Mohammādan pupils in all Recognised Institutions in British India.



were converted into recognised primary schools with secular classes attached and the Muhammadan inspecting staff was strengthened.

Between 1921 and 1926 the number of secondary schools especially intended for Muhammadans was increased, a high school was opened for Mappillas, a special Assistant Inspector was appointed for Mappilla education and the number of special scholarships for Muhammadans was increased.

In both periods Muhammadan education was encouraged by the opening of separate institutions especially intended for Muhammadans.

In 1916 there were 1,587 special institutions, with 96,147 scholars; in 1921,—1,991 schools with 114,014 scholars and in 1926,—2,986 schools with 173,157 scholars.

The above figures included 1 Arts College and 5 secondary schools for boys in 1916 and 3 Arts Colleges, 15 secondary schools for boys and 1 secondary school for girls in 1926.

Expenditure.—In 1916 the total expenditure on special schools for Muhammadans was Rs. 7.40 lakhs; in 1921 it was Rs. 11.48 lakhs and in 1926,—Rs. 17.60 lakhs. In 1916 Public funds met 73 per cent. of the total, fees 10 per cent. and other sources 17 per cent. The corresponding figures for the years 1921 and 1926 were:—

1921.—Public funds 77 per cent., fees 6 per cent. and other sources 17 per cent.

1926.—Public funds 74 per cent., fees 3 per cent. and other sources 23 per cent.

The rise in the percentage of the contribution from other sources between 1921 and 1926 is an indication of the help that has recently been forthcoming from the Muhammadan community itself.

Bombay.—The Muhammadan population of Bombay is approximately four millions or 19 per cent. of the total population of the province. In 1916 there were 125,768 Muhammadan pupils in all classes of institutions; in 1921 there were 170,869 and in 1926,—173,543. Between 1916 and 1921 the number of scholars increased by 35.8 per cent. and between 1921 and 1926 by 1.5 per cent.

In 1916 the percentage of Muhammadan scholars to the total Muhammadan population was 3.1; in 1921 it was 4.5 and in 1926 it was 4.5. The corresponding figures for the pupils of all classes of the community were:—1916,—3.8; 1921,—4.7 and 1926,—5.4.

In 1926 the percentage of male scholars to the total Muhammadan male population was 7.2 as against 8.3 for the whole province and the percentage of female scholars was 1.4 as against 2.1 for all classes of women.

Though considerable progress has been made, especially in the period 1916 to 1921, the Muhammadan community, still remains backward in comparison to other communities and by 1926 only 10 per cent. of the

total number of scholars reading in schools for general education had advanced beyond the primary stage. The low rate of increase in the number of scholars between 1921 and 1926 was almost entirely due to the influence of the Khilafat and non-co-operation movements which were mainly responsible for a loss of nearly 13,000 pupils in public institutions between 1921 and 1922 alone. The fall in the total number of pupils was however entirely confined to Sind in which area the Muhammadan population predominates. In 1916 there were 214 Muhammadan scholars, including one woman, reading in Arts and Professional Colleges and 4,830 scholars, including 107 girls, reading in secondary schools; in 1921 there were 298 scholars reading in Arts and Professional Colleges and 5,924 scholars, including 157 girls, in secondary schools; and in 1926 there were 467 scholars in Colleges and 7,544 scholars, including 218 girls, in secondary schools.

Between 1916 and 1921 the following measures were adopted to advance Muhammadan education :—

A large number of fee remissions and scholarships were granted in all classes of institutions; a special Muhammadan inspecting staff was appointed for each division of the Presidency and for Sind, increased grants were given for the opening of special Muhammadan institutions and for Mulla schools and an Urdu Translation Board was appointed to prepare text-books for primary schools. Between 1921 and 1926 the further steps taken to improve Muhammadan education included the opening of central training schools in order to increase the supply of Muhammadan teachers, the opening of a number of Koran classes attached to the ordinary Local Board primary schools and the sanctioning of additional scholarships for Muhammadan boys and girls, especially in Sind.

In 1922 there were 2,149 special schools and classes for Muhammadans, including 3 training schools and 12 secondary schools and in 1926 there were 2,027 special schools, including 5 training schools and 14 secondary schools. In 1922 there were 1,010 recognised Mulla schools and in 1926,—806 Mulla schools.

Expenditure.—In 1922 the total direct expenditure on Muhammadan education was approximately Rs. 38 lakhs of which Rs. 22 lakhs was met from provincial funds and in 1926 the total expenditure was approximately Rs. 51 lakhs of which Rs. 27·5 lakhs was met from provincial funds.

Bengal.—The total Muhammadan population of Bengal is approximately twenty-five and a quarter millions or 54 per cent. of the total population of the province.

In 1916 there were 776,485 Muhammadan pupils reading in all classes of institutions; in 1921, 889,601 pupils and in 1926,—962,843. In 1916 the percentage of Muhammadan pupils to the total Muhammadan population was 3·2 in 1921,—3·5 and in 1926,—3·8. The corresponding figures for all classes of scholars were 3·9, 4·1 and 4·6.

It will thus be seen that, in spite of the special efforts that have been made, the Muhammadan Community has remained throughout the periods under review considerably more backward than other communities. The education of Muhammadan women in Bengal is also behind the level of the education of all classes of women, but not to the same extent as is the case with men. In 1916 the percentage of Muhammadan women to the total female Muhammadan population was 1.03 and in 1926 it was 1.4. The corresponding figures for the women of all communities were :—1916,—1.3 and 1926,—1.6.

In 1916 there were 1,789 Muhammadan scholars, including one woman, in Arts and Professional Colleges and 99,890 scholars, including 300 girls in secondary schools.

In 1921 there were 2,674 Muhammadan scholars, including 3 women, in Arts and Professional Colleges and 77,103 scholars, including 521 girls in secondary schools.

In 1926 there were 3,442 Muhammadan scholars, including 3 women, in Arts and Professional Colleges and 31,775 scholars, including 139 girls at the secondary stage.

Between 1916 and 1921 the special measures adopted to encourage Muhammadan education included the appointment of a special inspecting staff, the opening of separate schools and hostels, the sanctioning of additional grants for Madrasahs, the establishment of Islamic Matriculation and Intermediate examinations and the reservation, for the first time, of a number of scholarships for Muhammadan girls.

Between 1921 and 1926 the further steps taken to improve Muhammadan education included the reservation of certain places for Muhammadans in Government and aided schools, a large increase in the number of fee-remissions and scholarships, especially for collegiate and technical education, and the opening of the Islamia College for Muhammadans at Calcutta.

By the year 1926 there were 467 Madrasahs and 17,544 recognised Makhtabs in Bengal.

The total cost of the Madrasahs in 1926 was Rs. 8.84 lakhs, of which provincial funds met Rs. 3.97 lakhs and the total cost of the Makhtabs was Rs. 14.44 lakhs of which provincial funds met Rs. 4.59 lakhs.

United Provinces.—The Muhammadan population of the United Provinces is approximately six and a half millions or 14 per cent. of the total population of the province.

In 1916 there were 110,600 Muhammadan pupils reading in all classes of recognised schools, in 1921 there were 160,576 pupils and in 1926, —201,480 pupils.

Between 1916 and 1921 the number of pupils increased by 45.2 per cent. and between 1921 and 1926 by 25.5 per cent.

In 1916 the percentage of Muhammadan pupils to the total Muhammadan population was 1.7 ; in 1921 it was 2.6 and in 1926,—3.1. The

corresponding figures for the pupils of all classes of the community were:—1916,—1·6, 1921,—2·2 and 1926,—2·5. In both periods, therefore, the percentages for the Muhammadan community were more favourable than the percentages for all communities together and even the figures for Muhammadan girls alone did not fall below the figures for all classes of female pupils. Even at the collegiate and secondary stages the proportion of Muhammadans has been well maintained and Muhammadan education in the United Provinces cannot therefore be regarded as backward.

In 1916 there were 1,790 Muhammadan scholars including 4 women, reading in Arts and Professional Colleges; in 1921 there were 1,285 scholars, including 6 women, and in 1926 there were 2,727 scholars including 10 women.

Although the majority of the Muhammadans under instruction attend the ordinary mixed schools it was found necessary in both periods under review, owing to communal and religious sentiment, to encourage separate institutions, particularly primary schools, for Muhammadans.

In the year 1916 special measures were sanctioned by the Government for the extension of Muhammadan education which included the appointment of a provincial Muhammadan Inspector of Schools and of Muhammadan Deputy-Inspectors in each district, sanction for the opening of separate Islamia schools by District Boards in any area providing a minimum attendance of 20 pupils, the adaptation of the curriculum in Maktab to the needs of the secular primary course, the establishment of a Provincial Maktab Committee and of District Maktab Committees to advise the Director of Public Instruction on all matters concerning Muhammadan education and the appointment of a Maktab Text-book Committee to select and prepare readers for use in Maktab. During the years 1916 to 1921 Islamia training classes for Maktab teachers were opened in 8 districts and in 1920 the Muhammadan Anglo-Oriental College at Aligarh was converted into the Aligarh Muslim University.

Between 1921 and 1926 the number of Islamia schools and aided Maktab was largely increased and grants were given to three District Boards to employ special supervisors of Maktab.

In 1917 there were 92 Islamia schools with 3,095 pupils and 291 aided Maktab with 8,898 pupils; in 1922 there were 745 Islamia schools with 21,595 pupils and 762 Maktab with 22,968 pupils and in 1926 there were 707 Islamia schools with 25,448 pupils and 1,118 Maktab with 40,882 pupils.

Expenditure.—The total expenditure on Muhammadan special schools, Islamia schools and Maktab, rose from Rs. 0·25 lakhs in 1917 to Rs. 2·62 lakhs in 1922 and to Rs. 4·34 lakhs in 1926.

Punjab.—The Muhammadan population in the Punjab is approximately eleven and a half millions or 55 per cent. of the total population of the Province. In 1916 the percentage of Muhammadan pupils in all classes of institutions to the total population was 1·4; in 1921 it was

1.7 and in 1926 it was 4.04. The figures for all communities for the same years were 2.0, 2.4 and 4.8. The percentages for Muhammadan male scholars only were 1916,—2.3, 1921,—2.9 and 1926,—7.1; the figures for males of all communities being 3.3, 3.9 and 7.9.

The percentages for Muhammadan female scholars only were—1916,—0.27, 1921,—0.29 and 1926,—0.38; the figures for all communities being 0.60, 0.70 and 0.80.

It will thus be seen that though the education of Muhammadan women is, for special reasons, still very backward, a very great advance has been made, particularly in the period 1921 to 1926, in the education of the Muhammadan community generally. In particular the community has succeeded in recent years in bringing itself, as far as males are concerned, almost up to the educational level of other communities in the Punjab. In 1916 there were 155,534 scholars in all classes of institutions; in 1921,—195,691 scholars and by 1926 the number had increased to 462,556. Between 1916 and 1921 there was an increase of 25.4 per cent. and between 1921 and 1926 an increase of 136.3 per cent. The greatest increase in enrolment has naturally taken place in primary schools, consequent on the general extension of education in rural areas in which the Muhammadans predominate, but higher education has also shown satisfactory progress.

In 1916 there were 1,107 Muhammadans in Arts and Professional Colleges; in 1921,—1,411, including 1 lady student, and in 1926,—2,291 including 8 lady students. In 1916 there were 36,575 male scholars and 1,191 female scholars in secondary schools and in 1921 there were 68,395 male scholars and 1,921 female scholars. Separate figures for scholars in secondary schools are not available for 1926, but between 1921 and 1926 the number of male pupils reading in primary and secondary schools together rose from 176,873 to 396,547 and the number of female scholars rose from 13,632 to 19,720.

In both the periods under review the improvement in Muhammadan education was mainly due to the causes which have advanced education generally in the province, especially the development of rural education, but the opening of Government secondary schools in backward areas, the granting of scholarships and fee concessions and the encouragement of Islamia schools and Maktabas especially assisted the growth of education amongst Muhammadans.

Burma.—The number of Muhammadans in Burma is approximately half a million or 4 per cent. of the total population of the province. In 1916 there were 14,827 Muhammadan scholars in all classes of institutions; in 1921 there were 16,213 scholars and in 1926,—20,792 scholars. Between 1916 and 1921 the number of scholars increased by 9.3 per cent. and between 1921 and 1926 the number increased by 28.2 per cent.

In 1916 the percentage of Muhammadan pupils reading in school to the total Muhammadan population was 3.5; in 1921 it was 3.2 and in 1926,—4.1. The corresponding figures for the scholars of all communities were:—1916,—3.1, 1921,—2.7 and 1926,—3.0. These figures

show that the Muhammadans are not educationally backward compared with other communities in Burma and even the proportion of Muhammadan girls in school compares favourably with the percentage of female scholars from all communities. In 1916 there were 39 Muhammadan scholars reading in Arts and Professional Colleges and 5,022 scholars, including 693 girls, reading in secondary schools; in 1921 there were 19 scholars in colleges and 6,640 scholars, including 1,272 girls, in secondary schools and in 1926 there were 74 scholars in colleges and 2,013 including 104 girls, reading at the secondary stage.

The main difficulty in the way of progress has, in both periods, been the language difficulty. The majority of the children attending Muhammadan schools in Burma are either Zerbadis, whose mother tongue is Burmese, or Muslims, whose home language is Bengali or Arakanese. But Muhammadan sentiment has insisted upon instruction in Urdu and Arabic with the result that a young Muhammadan student may be faced with the study, at an early age, of three or even four languages. Mainly owing to this difficulty the Muhammadan community is not as educationally forward as it might otherwise be and the language controversy has considerably handicapped the adoption of any settled policy in regard to Muhammadan primary education.

In both periods under review the education of Muhammadans was encouraged by the appointment of special Deputy Inspectors for Muhammadan schools, the opening of separate Anglo-Vernacular and Vernacular Muhammadan schools and by the maintenance of special training classes for Muhammadan teachers.

In 1917 there were 5 Anglo-Vernacular Muhammadan Schools and 189 Vernacular Muhammadan Schools; in 1922 there were 6 Anglo-Vernacular and 154 Vernacular Schools and in 1926 there were 7 Anglo-Vernacular and 178 Vernacular Schools.

Bihar and Orissa.—The number of Muhammadans in Bihar and Orissa is approximately three and three-quarter millions or eleven per cent. of the total population of the province.

The Muhammadan community is not backward in general education compared to other communities as is evidenced by the following figures, though in the field of higher education the community has progressed very little.

In 1916 there were 98,792 Muhammadans reading in all classes of institutions; in 1921 there were 94,319 scholars and in 1926, 131,618. In 1916 the percentage of Muhammadan pupils to the total population was 2.6; in 1921, 2.5 and in 1926, 3.5. The corresponding figures for pupils of all communities were:—1916, 2.3, 1921, 2.3 and 1926, 3.0. Even the percentage for Muhammadan women at school has been higher than the corresponding percentage for all classes of women. In 1916 the percentage for Muhammadan women was 1.01 and in 1921 it was 1.07; the figures for all classes of women for the same years being 0.6 and 0.6. The total number of Muhammadan pupils bet-

ween 1916 and 1921 is accounted for by the Khilafat and non-co-operation movements, by the closure of a number of recognised Madrassas, or special Muhammadan primary schools, and by a rise in the strength of unrecognised schools. In 1916 there were 551 Muhammadan scholars reading in Arts and Professional Colleges and 8,539 scholars, including 99 women, in secondary schools; in 1921 there were 450 scholars reading in Arts and Professional Colleges and 5,871 scholars, including 81 women, reading in secondary schools and in 1926 there were 691 male scholars reading in Arts and Professional Colleges. Accurate figures for secondary schools in 1926 are not available.

Between 1916 and 1921 the following measures were adopted to advance Muhammadan education :—

Special inspecting officers and a Superintendent of Islamic studies were appointed; three additional training schools were opened for Muhammadan teachers and a large number of additional scholarships were sanctioned for Muhammadans. Between 1921 and 1926 the number of recognised Madrassas and Maktabhs was increased, a new syllabus was adopted for all recognised Madrassas and a Madrasa Examination Board was constituted; increased grants were given to recognised Maktabhs and the Muhammadan inspecting staff was enlarged. In 1917 there were 16 recognised Madrassas and 2,403 recognised Maktabhs. The figures for 1922 and 1926 were :—1922,—10 Madrassas and 2,251 Maktabhs; 1926,—37 Madrassas and 3,477 Maktabhs.

The total direct expenditure on Madrassas and Maktabhs was Rs. 2·85 lakhs in 1917; Rs. 3·40 lakhs in 1922 and Rs. 5·88 lakhs in 1926.

Central Provinces and Berâr.—The Muhammadan population of the Central Provinces is approximately half a million or 4 per cent. of the total population of the province.

In 1916 there were 30,645 Muhammadan scholars in all classes of institutions: in 1921 there were 30,525 scholars and in 1926,—34,452.

In 1926 the percentage of Muhammadan scholars to the total Muhammadan population was 5·4; in 1921 it was 5·4 and in 1926 it was 6·2. The corresponding figures for the scholars from all classes of the community were :—1916,—2·1, 1921,—2·5 and 1926,—2·6.

In spite of the fact that by 1926 only 12 per cent. of the Muhammadan pupils in school were reading above the primary stage the proportion of Muhammadan pupils at school in all grades compared favourably with the proportion for all other communities. The Muhammadan community in the Central Provinces cannot therefore be considered to be educationally backward.

In 1916 there were 69 Muhammadan scholars reading in Arts and Professional Colleges and 5,346 scholars, including 191 girls, reading in secondary schools; in 1921 there were 64 scholars in colleges and 6,790 scholars, including 166 girls, in secondary schools; and in 1926 there were 133 scholars in Colleges and 3,928 scholars, including 10 girls, reading at the secondary stage.

In both periods under review the education of Muhammadans was encouraged by the opening of separate Muhammadan schools and hostels, the encouragement of Urdu schools, the appointment of special Muhammadan Deputy Inspectors and by the reservation of special scholarships for Muhammadans.

In 1917 there were 217 separate institutions for Muhammadans maintained at a total cost of Rs. 1·86 lakhs and in 1921 there were 233 institutions costing Rs. 3·27 lakhs. No figures are available for the year 1926.

Assam.—The Muhammadan population of Assam is approximately two million two hundred thousand or 29 per cent. of the total population of the province. In 1916 there were 52,689 Muhammadan pupils reading in all classes of recognised institutions; in 1921 there were 48,868 pupils and in 1926,—60,261 pupils.

Between 1916 and 1921 the number of Muhammadan pupils decreased by 7·2 per cent. and between 1921 and 1926 the number increased by 19·7 per cent.

In 1916 the percentage of Muhammadan pupils reading in schools to the total Muhammadan population was 2·8, in 1921 it was 2·2 and in 1926 it was 2·6. The corresponding figures for the pupils of all classes of the community were :—1916,—3·4, 1921,—2·9 and 1926,—3·4.

In all grades of education the Muhammadan community has kept behind other communities and in 1926 the percentage of Muhammadan women under instruction was only 0·3 as against 0·9 for all other classes of women.

In 1916 there were 90 Muhammadans reading in Arts and Professional Colleges and 6,378 Muhammadans, including 226 girls, reading in secondary schools; in 1921 there were 160 Muhammadans reading in Arts and Professional Colleges and 5,451 Muhammadans, including 195 girls, reading in secondary schools, and in 1926 there were 213 scholars reading in Arts and Professional Colleges and 965 scholars, including 3 girls, at the High School Stage.

The fall in the number of scholars between 1916 and 1921 was due to the post-war economic distress, which affected the Muhammadan community more than other communities owing to the relative poverty of the Muhammadans, and to the Khilafat and non-co-operation movements.

Between 1916 and 1921 the special measures taken to improve Muhammadan education included the sanction of a number of special scholarships and fee remissions for Muhammadans, an increase in the number of Muhammadan hostels, the conversion of a number of Maktabas and Madrassas into ordinary primary schools, with Islamic classes attached, and the provision of facilities for religious instruction in the ordinary vernacular schools.

Between 1921 and 1926 no special change in policy was introduced and the measures adopted in the previous years were continued.

In 1917 there were 212 primary schools with Islamic classes attached ; in 1921 there were 223 such schools and by 1926 the number had risen to 325.

CHAPTER XI.—THE EDUCATION OF THE DEPRESSED CLASSES.

In this chapter an attempt has been made to estimate the progress that has taken place in the education of those members of the Hindu community who are regarded as outcastes or "untouchables" and who have, in consequence, suffered from serious social disabilities in the matter of education and general advancement. It is extremely difficult to obtain accurate figures, for all India and for the provinces, giving the total depressed class population and the total number of depressed class pupils attending recognised schools. The provinces vary in their manner of classification and in some cases it is almost impossible to distinguish between the actual depressed classes and other backward classes, such as Aborigines, Hill Tribes and Criminal Tribes, which may or may not include a number of "untouchables". Moreover there are in India a number of communities and castes, including high castes, which, owing to poverty or religious sentiment, have remained educationally backward and which must not be confused with those communities the members of which are depressed socially whether they are in affluent circumstances or not ; though naturally the great majority of the members of the depressed classes suffer from the handicap of poverty as well as from caste prejudice.

The facts and figures, therefore, set forth in this chapter relate, as far as possible, only to "untouchables" or to other persons whose caste, or condition of being outcaste, has made it difficult for them to obtain, without protection, equal educational opportunities with the members of all other communities.

It is believed that the figures given are approximately accurate but some allowance must be made for a small margin of error in the totals owing to faulty classification or inadequate information. Many of the depressed classes, for example, who have become converts to Christianity, and are classified as Indian Christians, still suffer to some extent from social disabilities, but, as far as possible, Indian Christians have been excluded from the figures given.

The details for all India include the figures for Madras, Bombay, Bengal, the United Provinces, the Punjab, Bihar and Orissa and the Central Provinces. The figures for Assam have not been included owing to the impossibility of distinguishing satisfactorily between the actual depressed classes in that province and the aborigines, who are not outcastes, in a population of which over 50 per cent. is classified as backward. Burma has been excluded from consideration since there are practically no untouchables in Burma.

According to the census of 1921 over forty million persons or 16·0 per cent. of the total population of British India are "untouchables"

But this figure evidently includes large numbers of aborigines who cannot strictly be classified as untouchables. A more correct estimate, based on the figures for the provinces, and excluding the figures for Assam, reveals the fact that the total depressed class population of British India is approximately 28,550,000 or 11·5 per cent. of the total population.

In 1917 there were 296,466 depressed class pupils reading in all classes of institutions and in 1926 there were approximately 667,000 such pupils. In 1917 the percentage of depressed class pupils to the total depressed class population was 1·02 and in 1926 it was 2·3. The corresponding figures for the pupils of all communities were:—1917,—3·0 and 1926,—4·0.

Progress in the education of the depressed classes has been very unequal as between province and province. Bengal, where the difficulties of untouchability have been least in evidence, has the highest percentage of pupils at schools. Madras, where the caste problem has been most intense, stands second to Bengal, and the United Provinces, which has the largest depressed class population, has the lowest percentage of pupils reading in school.

The greatest difference between the percentage for depressed class pupils and the percentage for all classes of pupils occurs in the Punjab and the smallest difference is found in Bihar and Orissa, which has fewer depressed classes than any other province.

During the period 1921 to 1926 Bengal recorded the greatest increase in the percentage of depressed class pupils to the total depressed class population and the Central Provinces recorded the smallest increase.

In all the provinces, except Bengal, the depressed classes have remained extremely backward as far as higher education is concerned and by 1926 only one depressed class pupil out of every 100,000 of the depressed class population had reached the collegiate stage.

The special measures that have been adopted to encourage education amongst the depressed classes have been detailed below for each province, but the general policy of Government has, in both periods, included an insistence on the throwing open of all public schools to untouchables, the abolition of any differential treatment of depressed class pupils when in school, the provision of fee-remissions and special scholarships, the opening of separate schools and hostels in places where the size of the depressed class school-going population required it and the removal of all public schools from places not easy of access by depressed class children. The following paragraphs summarise the progress that has been made in the provinces, but uniform details have not been furnished for all the provinces; accurate figures, for example, are not available for the same years for every province and the cost of the special measures taken for the education of untouchables has not been given, except in two cases, mainly owing to the fact that in provinces in which the majority of the depressed class pupils are reading in the ordinary schools no separate estimate of cost can be calculated.

Madras.—The number of untouchables in the Madras Presidency is approximately six and a half millions or 15 per cent. of the total population, though in some districts of the Presidency the proportion of the depressed classes to the district population is as high as 20 per cent.

In 1916 the total number of scholars from the depressed classes reading in recognised schools was 114,012 ; in 1921 it was 140,652 and in 1926 it was 209,730.

In 1916 the percentage of such scholars to the total depressed class population was 1·7 ; in 1921 it was 2·1 and in 1926 it was 3·2. The corresponding figures for the percentages of all classes of scholars were :—1916,—3·6 ; 1921,—4·1 and 1926,—5·3. Thus, though considerable improvement has taken place in the education of the depressed classes, they still remain far behind the standard of other communities.

Between 1916 and 1921 the total number of scholars increased by 23·3 per cent. and between 1921 and 1926 it increased by 49·1 per cent.

In 1916 there were no depressed class pupils reading in colleges, but there were 694 scholars, including 57 girls, reading in secondary schools ; in 1921 there were 8 scholars, including 2 women, reading in Arts and Professional Colleges and 1,042 scholars, including 215 girls, reading in secondary schools, and in 1926 there were 23 male scholars reading in Arts and Professional Colleges and 2,327 scholars, including 244 girls, reading in secondary schools.

The two main factors which have operated against the educational advancement of the depressed classes have been poverty and the inability of the depressed class pupils to obtain admission into the ordinary schools. In both periods under review special steps have been taken to eliminate as far as possible these handicaps. Special scholarships, stipends, fee remissions, free meals and the free supply of books, slates and clothing have been granted in increasing numbers and separate schools for the depressed classes have been opened in places where the depressed class pupils have not been freely admitted into the ordinary schools, or in places where, owing to the persistent use of child labour sessional or night schools have been needed. Although it has been found necessary to open special schools for the depressed classes, Government has consistently advocated the admission of depressed class pupils into all public institutions and the removal of all public schools from build-ings or localities to which depressed class pupils cannot be freely admitted.

Between 1916 and 1921 the following important measures were adopted to help forward the education of the depressed classes.

In 1919 special scholarships, tenable in primary and secondary schools, were instituted for the first time for children of the depressed classes. In the same year a Commissioner of Labour was appointed and this officer was entrusted with the task of encouraging the education of the depressed classes, especially by the opening of separate schools wherever necessary. In the year 1919 also special orders were issued by Govern-

ment insisting on the free admission of depressed class pupils into all schools under public management. Between 1921 and 1926 similar steps were taken to improve the position of the depressed classes. Additional scholarships and fee remissions were granted and their scope extended to colleges and technical schools and in 1922 depressed class candidates for the secondary school leaving certificate examination were exempted, on the production of a poverty certificate, from the payment of examination fees. In both periods poor students of the depressed classes were admitted into all classes of institutions on payment of half fees and in 1925 this concession was extended to Indian Christians of depressed class origin.

In 1916 there were 5,242 schools especially intended for the depressed classes with an enrolment of 148,954 pupils ; in 1921 there were 7,007 such schools with 193,260 pupils and in 1926 there were 9,413 schools with 262,716 pupils. The fact that in the year 1926 there were nearly 70,000 caste pupils reading in schools mainly intended for the depressed classes is an indication of the extent to which prejudice is breaking down.

Expenditure.—In 1916 the total expenditure on special schools was Rs. 8.24 lakhs of which Public funds met 54 per cent., fees 3 per cent. and other sources 43 per cent.

In 1921 the total expenditure was Rs. 12.19 lakhs, of which Public funds met 56.6 per cent., fees 1.8 per cent. and other sources 41.6 per cent. In 1926 the total expenditure was Rs. 19.48 lakhs, of which Public funds met 61.0 per cent., fees 1.3 per cent. and other sources 37.7 per cent.

Bombay.—No up to date figures are available for the number of untouchables in the Bombay Presidency, but in 1917 approximately 9 per cent. of the total population were members of the depressed classes and, taking the same proportion of the population, the total number of untouchables at present in the Bombay province must number at least one and three quarter millions.

In 1916 there were 28,493 depressed class pupils in all grades of institutions ; in 1921 there were 38,488 pupils and in 1926,—55,191 pupils. In 1916 the percentage of such pupils to the total depressed class population was 1.7 ; in 1921,—2.1 and in 1926,—3.1. The corresponding figures for the pupils of all classes of the community were :—1916,—3.8 ; 1921,—4.7 and 1926,—5.4. Between 1916 and 1921 the total number of depressed class pupils rose by 35.0 per cent. and between 1921 and 1926 by 43.3 per cent. Though progress has been made, especially in the period 1921 to 1926, the extremely backward state of the depressed classes may be judged from the fact that by 1926 the percentage of depressed class pupils at school was still less than the 1916 percentage for all classes of scholars.

In 1916 there were 2 depressed class students reading in colleges and 278 in secondary schools ; in 1921 there were 5 reading in colleges and 206 in secondary schools and in 1926 there were 14 reading in colleges and 730 reading in secondary schools. Between 1916 and 1921 the more important steps taken to improve the opportunities of the children of

the depressed classes were the opening of special schools and hostels, the sanctioning of fee remissions and special scholarships and the appointment, in one division, of a special officer to look after the education of the depressed classes. In addition to the efforts made by Government and by local bodies, Christian Missions and the Depressed Class Mission Society of Poona did much to foster education among the depressed classes.

Between 1921 and 1926 further important measures were adopted to help forward the depressed classes. In 1923 Government ordered that no disability should be imposed on the children of the depressed classes in any school conducted by a public authority, that all schools located in temples, etc., should be removed to accessible buildings and that no grant-in-aid should be paid to an aided school which had refused admission to depressed class pupils. In 1924 a large increase was made in the number of scholarships reserved for depressed class pupils, and available in all grades of institutions, and in 1925 a fixed percentage of the places in Government colleges and schools were reserved for "backward" class students, including depressed. Throughout the period special attention was also paid to the training of depressed class teachers for service in the special schools for the depressed classes.

In 1916 there were 576 schools especially intended for the depressed classes with an enrolment of 15,126 pupils; in 1921 there were 467 schools with 16,451 pupils and in 1926,—597 schools with 20,066 pupils.

Benzal.—The depressed class population of Bengal is approximately six and three quarter millions or 15 per cent. of the total population of the province.

In 1917 there were 86,027 depressed class pupils reading in all grades of institutions; in 1922 there were 96,552 pupils and in 1926 approximately 250,000 pupils.

In 1917 the percentage of depressed class pupils under instruction to the total depressed class population was 1.2; in 1922 it was 1.4 and in 1926 it was 3.7.

The corresponding percentages for pupils from all communities were:—1917,—4.1; 1922,—3.9 and 1926,—4.6. The figures show that satisfactory progress has been made especially in the period 1921 to 1926. In 1917 there were 194 depressed class students reading in colleges and 4,729, including 23 girls, reading at the secondary stage and in 1922 there were 197 students reading in colleges and 3,323 students, including 27 girls, reading at the secondary stage. Accurate details are not available for the year 1926.

In both periods under review the following special measures were adopted to encourage depressed class children to attend and remain at school:—

Government scholarships were reserved for backward class pupils, including those from the depressed classes, capitation grants were given to teachers in primary schools which admitted depressed class pupils free

and separate schools were opened, chiefly by mission agencies. It is reported, however, that the depressed classes in Bengal are as a rule freely admitted into the ordinary schools and the problem of untouchability has not affected the education of the depressed classes in the same measure as in other provinces.

United Provinces.—The total number of members of the depressed classes in the United Provinces is approximately eight and a quarter millions or 18 per cent. of the total population of the province.

In 1917 there were 16,561 depressed class pupils reading in all grades of institutions; in 1921,—27,724 pupils and in 1926,—75,916.

In 1917 the percentage of depressed class pupils to the total depressed class population was 0·2; in 1921 it was 0·33 and in 1926 it was 0·92. The corresponding figures for pupils of all classes of the community were :—1917,—1·7; 1921,—2·2 and 1926,—2·5.

Between 1917 and 1921 the number of depressed class pupils increased by 67·4 per cent. and between 1921 and 1926 it increased by 173·8 per cent.

While it is obvious that progress has been made, especially in the period 1921 to 1926, the figures for the number of scholars still remain abnormally low.

In 1917 there were 254 depressed class pupils in secondary schools; in 1921 there were 315 pupils in secondary schools and in 1926 there were 11 pupils, including one woman, reading in Arts and Professional Colleges and 1,414 reading at the secondary stage.

Between 1916 and 1921 the following measures were adopted to encourage the education of the depressed classes. District Boards were assisted to appoint supervisors of schools for the depressed classes, fee remissions were granted, scholarships were sanctioned for the continuation of education after the primary stage and special schools for depressed class pupils were opened.

Between 1921 and 1926 more comprehensive steps were taken upon the same lines, to improve the education of the depressed classes. More special schools were opened, District Boards received larger subsidies for the maintenance of free schools, more supervisors were appointed and special grants were paid to aided schools maintained primarily for the depressed classes. By the end of the period large increases in enrolment had taken place both in the number of depressed class pupils reading in ordinary schools and in the number of caste pupils reading in the special schools for the depressed classes.

In 1922 there were 582 special schools maintained by District Boards with an enrolment of 14,610 depressed class boys and in 1926 there were 784 such schools with an enrolment of 22,926 boys.

Punjab.—The depressed class population of the Punjab is approximately one million seven hundred thousand or 8 per cent. of the total population. In 1917 there were 3,442 depressed class pupils reading in

all grades of institutions ; in 1921 there were 2,196 pupils and in 1926,—19,049 pupils.

The percentage of depressed class scholars to the total depressed class population was 0·17 in 1917, 0·13 in 1921, and 1·1 in 1926. The corresponding figures for pupils of all communities were :—1917,—2·1 ; 1921,—2·4 and 1926,—4·8. Though there was a very satisfactory increase in the number of pupils under instruction during the period 1921 to 1926 the percentage of pupils under instruction to the total population remains distressingly low and the education of the women of the depressed class community has hardly begun ; the percentage of girls under instruction in girls schools being in 1926 only 0·12 per cent.

The higher education of the depressed classes is also almost non-existent. In 1917 there were 4 male scholars at the high school stage ; in 1921,—17 male scholars and in 1926,—26 male scholars. Only one depressed class student has read in a college since 1916.

Between 1917 and 1921 the special measures taken to improve the educational condition of the depressed classes included a revision of the rates of grant available to schools for low caste children, the opening of special schools and the granting of fee-remissions and scholarships. Between 1921 and 1926 more active steps were taken to encourage the attendance of depressed class pupils at school and in 1923 a special circular was issued to all Commissioners and Deputy Commissioners advocating equality of opportunity for all classes and suggesting special methods for the expansion of education among the depressed classes, including the maintenance of separate lists of the depressed class children of school-age in every area, the exemption from payment of fees and the free provision of books by local bodies and the establishment of night schools. By 1926, out of a total of 19,049 depressed class pupils, 15,899 were reading in ordinary schools and these figures indicate sufficiently well the extent to which caste prejudice has been broken down.

Bihar and Orissa.—The total number of members of the depressed classes in Bihar and Orissa is approximately one million or 3 per cent. of the total population of the province.

In 1917,—19,841 depressed class pupils were reading in all grades of institutions ; in 1922,—15,096 and in 1926,—23,763. In 1917 the percentage of depressed class scholars to the total depressed class population was 1·6 ; in 1922 it was 1·5 and in 1926 it was 2·3. The corresponding figures for pupils of all communities were :—1917,—2·3, 1922,—2·2 and 1926,—3·0.

Between 1917 and 1922 the total number of scholars fell by 23·9 per cent. and between 1922 and 1926 it rose by 57·4 per cent.

The decline in the number of pupils between 1917 and 1922 was mainly due to the causes common to other communities, already explained in the chapter on primary education.

The depressed classes, up to the year 1926, were almost entirely divorced from higher education. In 1917 and in 1922 no depressed class

pupil had reached the high school stage and in 1926 only 7 male scholars were reading at a high school stage.

Between 1917 and 1922 the following special measures were adopted to improve the education of the depressed classes :—

A number of special schools for depressed class pupils were opened, special rates of pay were granted to teachers in schools admitting certain sections of the depressed classes, special rates of grant-in-aid were given to certain schools admitting untouchables, fee remissions and free studentships were granted and a number of special scholarships were sanctioned.

Since 1922 further steps have been taken along the same lines to help the untouchables. Certain Boards have appointed a special inspecting staff and for a period of five years from 1926 the members of the untouchable castes throughout the province have been excused fees at all secondary schools managed or aided by Government.

In 1917 there were 41 special schools for the depressed classes ; in 1922 there were 131 such schools with 3,101 pupils and in 1926 there were 219 schools with 5,351 pupils.

Expenditure.—In 1917 the total expenditure on special schools for the depressed classes was Rs. 7,590 ; in 1922 it was Rs. 15,733 and in 1926 it was Rs. 35,228.

Central Provinces and Berar.—The total population of the depressed classes in the Central Provinces is approximately two million six hundred thousand or 18 per cent. of the total population of the province.

In 1917 there were 26,661 pupils from the depressed classes reading in all grades of institutions ; in 1921 there were 30,163 pupils and in 1926,—34,168 pupils.

The percentage of pupils of the depressed classes to the total depressed class population was 0.89 in 1917 ; 1.1 in 1921 and 1.3 in 1926. The corresponding percentages for pupils of all communities were :—1917,—2.5 ; 1921,—2.5 and 1926,—2.6.

In 1917 there were 18 male scholars reading at the high school stage ; in 1921 there were two male scholars reading in colleges and 16 male scholars reading at the high school stage and in 1926 there were 8 male scholars reading in colleges and 65 male scholars reading at the high school stage. The education of the depressed class girls has remained extremely backward. By 1926 no girl pupil had reached the high school stage and the percentage of female pupils under instruction to the total female depressed class population was only 0.03 as against 0.5, the figure for female scholars from all communities.

Between 1917 and 1921 the following measures were adopted to improve the state of education amongst the depressed classes :—

Departmental rules were framed to prevent the refusal of admission of depressed class pupils into any publicly managed institution ; special

schools were opened only in areas in which adequate facilities did not exist in the ordinary schools owing to the size of the depressed class population; the grant-in-aid rules were revised to admit of special two-thirds grants to schools for the depressed classes opened by private management; special hostels were opened for depressed class pupils and fee remissions and reserved scholarships were granted.

Between 1921 and 1926 the number of scholarships for the depressed classes was increased, a small bonus was granted to head masters of primary schools for each pupil from the depressed classes who passed the primary certificate examination, the educational rules were amended so as to prohibit any differential treatment of depressed class pupils reading in public schools and increased grants were given for the construction of special hostels.

Assam.—Owing to the large variety of tribes in the province of Assam it is almost impossible to give anything like even approximately correct figures for the depressed class population. The total population of all the aborigines, hill and forest tribes and depressed classes is, however, nearly four millions or 50 per cent. of the total population of the province. The following figures, which cannot be regarded as strictly accurate, for the number of pupils under instruction exclude hill tribes but include aborigines living in the plains, separate figures not being available for depressed class pupils only.

In 1917 there were 29,505 pupils under instruction in all grades of institutions and in 1921 there were 22,739 such pupils. No figures are available for subsequent years.

The figures for Aborigines, Hill Tribes and depressed classes show that in 1917 there were 2 scholars in colleges and 1,832 scholars, including 54 girls, at the secondary stage and in 1921 there were 57 scholars in colleges and 1,781 including 28 girls, at the secondary stage. The fall in the number of scholars between 1917 and 1921 may probably be accounted for by inaccurate figure and differences in classification. From 1917 onwards depressed class pupils have been encouraged by fee remissions, special scholarships and the provision of separate schools and hostels.

CHAPTER XII.—THE EDUCATION OF EUROPEANS AND ANGLO-INDIANS.

The total number of Europeans (including Armenians) and Anglo-Indians in British India is approximately two hundred and fifty thousand or 0·1 per cent. of the total population.

In 1916 the total number of European scholars reading in all classes of institutions was 39,583; in 1921, 43,235 and in 1926, 46,962. The percentage of European scholars to the total European population was 15·8 in 1926, 17·2 in 1921 and 18·7 in 1926. The corresponding figures for all communities were:—1916,—2·9; 1921,—3·1 and 1926,—4·0.

In 1916 there were 415 institutions especially intended for Europeans ; in 1921, 436 and in 1926, 418. The number of scholars reading in these institutions was 39,431 in 1916 ; 44,817 in 1921 and 51,573 in 1926.

The number of non-European scholars reading in European schools was 2,979 in 1916, 4,152 in 1921 and 8,800 (approximately) in 1926. The number of Europeans reading in Indian schools was 3,131 in 1916, 2,570 in 1921 and 4,189 in 1926.

Thus, while the number of Europeans reading in European schools increased by only 5.1 per cent. between 1921 and 1926, the number of Indians reading in European schools increased by 111.9 per cent. and the number of Europeans reading in Indian schools increased by 62.9 per cent.

Between 1916 and 1921 the increase in the number of European scholars in European schools was larger than the corresponding increase between 1921 and 1926 and this may be accounted for by the war, which was responsible for a large increase in enrolment, especially in the Hill schools.

The reduction in the number of schools for Europeans between 1921 and 1926 was not due to any falling off in the demand for facilities for education but was the result of a deliberate policy of concentration whereby small scattered schools were replaced by central schools and rival schools in large towns were amalgamated ; the majority of schools thus affected being railway and mission schools. It may be noted that in 1926 out of a total of 418 European schools as many as 83 were maintained by Railways.

The large increase in the number of non-European scholars reading in European schools between 1921 and 1926 was due to a change in policy in most provinces whereby the restrictions on the admission of non-Europeans into European schools were withdrawn or modified. In the European Schools Code of 1905, which was made common for all India, the admission of Indians was limited to 15 per cent. of the total enrolment, but since 1916 various provinces have raised the permissible percentage and by 1926 Madras and Bombay were admitting up to a fixed limit of one-third and in Burma, where all restrictions have been removed, consequent on European education being " transferred ", 36 per cent. of the total enrolment consisted of non-European children.

The extent to which the permission to admit Indians has been availed of has depended on the location of the schools, whether in the hills or in the plains, the finances of the managements and the desire or otherwise of managements to retain the distinctive features of European schools.

The rise in the number of European scholars reading in schools for Indians was mainly due to the absence of adequate facilities in European schools, especially in Arts and Professional Colleges and in Technical Institutions, to the comparative cheapness of higher education in Indian

schools and to the increasing need for Anglo-Indians to compete with Indians, through the same system of examinations, for employment.

In 1916 there were 5 Arts and Professional Colleges for Europeans in British India ; in 1921, 6 and in 1926, 9. But in 1926 in the Governors' Provinces there were no Arts Colleges for Europeans, except in the United Provinces, where there were 4 Intermediate colleges for males with a total of 31 European scholars, and only 3 Professional Colleges, 2 Training Colleges for teachers in the Punjab, one for males and one for females, with a total of 47 scholars, and one Training College for females in Bengal with 20 scholars.

The total number of Europeans reading in Arts and Professional Colleges in the Governors' Provinces in 1916 was 531 ; in 1921, 456 and in 1926, 589. In 1926 the total number of European scholars reading in Arts and Professional Colleges in British India was 646, including 11 in Law Colleges, 68 in Medical Colleges, 89 in Training Colleges, 107 in Engineering Colleges, 2 in Agricultural Colleges, 11 in Commercial Colleges, 6 in Forest Colleges and 1 in a Veterinary College.

Between 1921 and 1926 the number of European scholars reading in all classes of institutions increased in every province, except in the Punjab, the largest increase occurring in Burma.

The staffing of European schools showed considerable improvement in both the periods under review. In 1916 the percentage of trained teachers to the total number of teachers was 49.4 ; in 1917 it was 54.8 and in 1926, 61.0. The latter figure compares favourably with the figure for trained teachers in all institutions in 1926 (45.6 per cent.), but in view of the relatively small number of European schools the percentage of trained teachers in European schools was low in both periods and the number of trained graduate teachers very small. In Madras, which has the largest number of European schools, there were in 1926 only 49 trained graduate teachers out of a total of 735 teachers.

Between 1916 and 1921 there was no large change of policy in regard to European education except that the restriction on the admission of non-Europeans was relaxed and the concentration and amalgamation of schools were encouraged. The school and examination curricula and syllabuses were revised in most provinces and instruction in Manual Training, Domestic Economy, Telegraphy, etc., was developed, particularly in Madras and Bombay. By the revision of the curricula in Madras the study of a vernacular was made compulsory. The Boarding grants were raised in Madras, free studentships were increased in value in Bihar and Orissa and the stipends in the Training Colleges in the Punjab were enhanced.

Between 1921 and 1926 the policy of amalgamation and concentration was continued in the major provinces and new Educational Codes for European schools were introduced in Madras and the United Provinces. In Madras, the Punjab and the Central Provinces the system of grant-in-aid was revised so as to bring it into line with the grant-in-aid

Code for Indian schools and the number and value of European scholarships were increased in Bombay and the Punjab. In Madras the curricula and syllabuses for European schools were completely revised and a system of School Leaving Certificates was introduced.

In 1916 the total direct and indirect expenditure on European education was Rs. 90.08 lakhs; in 1921, Rs. 120.09 lakhs and in 1926, Rs. 145.01 lakhs. Between 1916 and 1921 the total expenditure increased by 33.3 per cent. and between 1921 and 1926 by 20.7 per cent.

The total expenditure in the Governors' provinces increased from Rs. 89.81 lakhs in 1916 to Rs. 114.95 lakhs in 1921 and in 1926 it was Rs. 135.65 lakhs.

To the total expenditure in 1916 Government funds contributed 38.1 per cent., fees 32.3 per cent. and other sources 29.1 per cent. The corresponding figures for 1921 and 1926 were :—1921—, Government funds 35.6, fees 35.2 and other sources 28.9, 1926 :—Government funds 34.2, fees 34.9 and other sources 30.5. In each year Local Board funds contributed under one per cent. to the total cost. Between 1916 and 1926 the percentage of Government contribution fell by 3.9 and the percentage of contribution from fees and other sources together rose by 4.0.

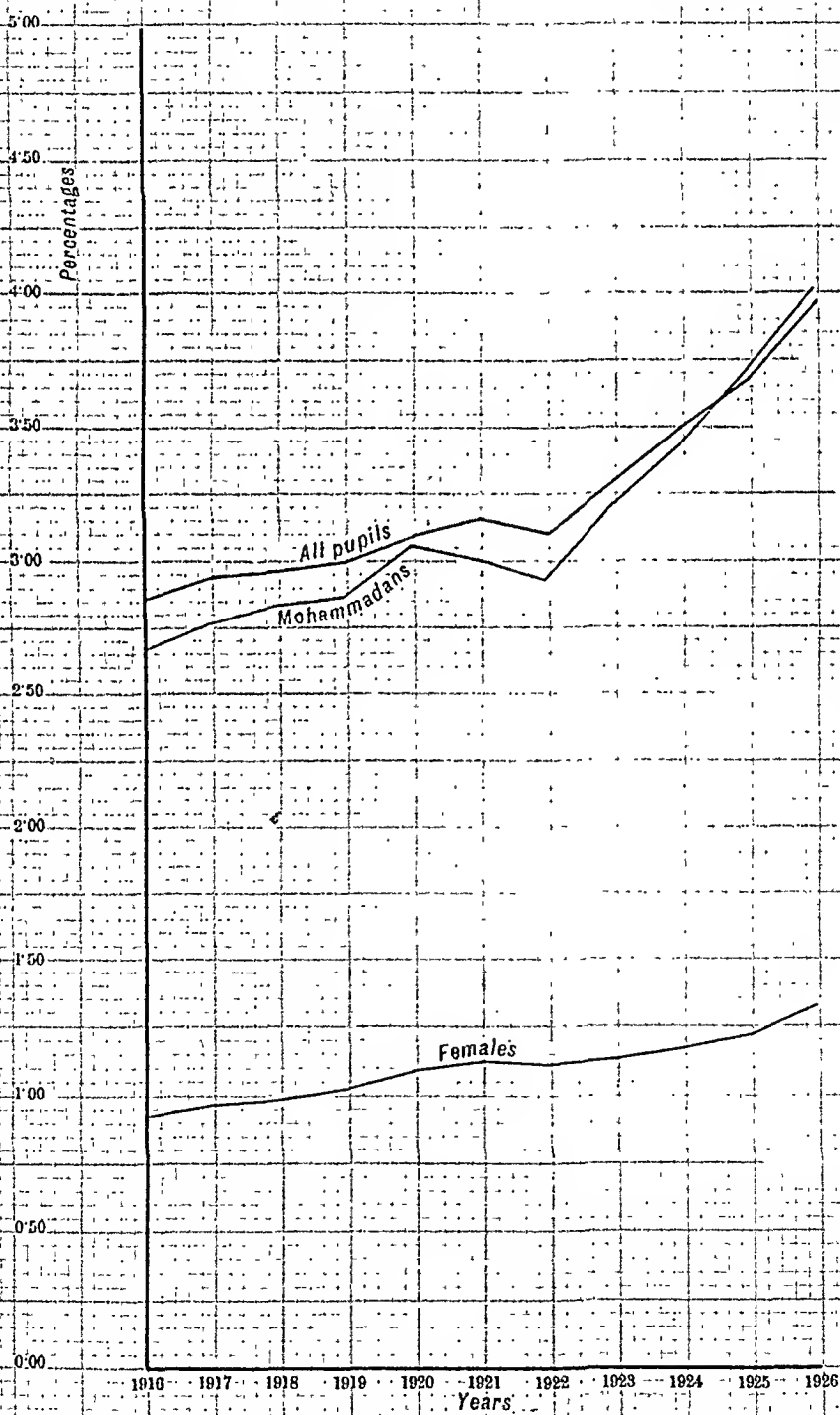
The most noticeable feature of the above figures is the high percentage of cost borne by fees and other sources together, the figures being :—1916,—61.4, 1921,—64.1 and 1926,—65.4. These figures may be compared with the figures for the expenditure on all classes of education which were :—fees and other sources, 1916,—43.9, 1921,—39.9 and 1926,—37.9.

The figures show that while the expenditure from Public funds on the education of all classes increased from 56.1 per cent. in 1916 to 62.1 in 1926, the expenditure from Public funds on European education fell from 38.6 in 1916 to 34.6 in 1926.

The total expenditure on European education increased in all provinces between 1916 and 1921, but between 1921 and 1926 the expenditure fell in the Punjab and in Bihar and Orissa and rose in all other provinces. The total expenditure in the Punjab was even less in 1926 than it was in 1916. Between 1916 and 1921 the expenditure from Government funds fell in Bombay and increased in all other provinces, but between 1921 and 1926 the expenditure from Government funds decreased in Bengal, the Punjab, Bihar and Orissa, the Central Provinces and in Assam and rose in the other provinces. The expenditure from Government funds was actually less in Bombay, the Punjab and the Central Provinces in 1926 than it was in 1916.

The fall in expenditure in certain provinces can be partly accounted for by the decrease in the number of European institutions which occurred between 1916 and 1921 in Bombay and the Punjab and between 1921 and 1926 in Bombay and Bengal and by a decrease in the number of scholars. Between 1916 and 1921 the fee income increased in all provin-

*Graph showing the progress in the percentages of all pupils,
Mohammadans and Females in all recognised institutions
to their respective populations.*



vinces except in Bihar and Orissa, while between 1921 and 1936 the fee-income again increased in all provinces except in the United Provinces and the Punjab. Between 1916 and 1921 the income from other sources increased in all provinces except in the Central Provinces and between 1921 and 1926 it rose in all provinces except in Bombay and the Punjab.

CHAPTER XIII.—THE TRAINING OF TEACHERS.

Institutions for the training of teachers are classified under different heads in the various provinces and are varyingly termed Collegiate, Secondary, Anglo-Vernacular, Vernacular, Primary, Higher Elementary or Lower Elementary as the case may be. But for the purposes of this chapter all the institutions have been divided into two main classes—"Colleges" which, in most provinces, train only graduate teachers for employment in colleges and high schools and "schools" which include all grades of training other than collegiate.

In 1916 there were 12 Training Colleges with an enrolment of 774 students; in 1921, 19 colleges with 1,108 students and in 1926, 21 colleges with 1,219 students. The figures for 1921 and 1926 include 2 colleges for women with 56 students and 6 colleges for women with 134 students respectively. In 1926 in addition to the 21 colleges there were Departments of Teaching with Degree or Diploma Courses at the Aligarh, Benares and Rangoon Universities.

In 1916 there were 776 training schools with an enrolment of 17,732 students; in 1921, 1,090 schools with 27,428 students and in 1926, 696 schools with 25,343 students. These figures include 92 training schools for women with 2,405 students in 1916, 128 schools with 3,834 students in 1921 and 158 schools with 4,759 students in 1926. The strength of Training Colleges for men and women and of training schools for women increased in both periods, the largest increase occurring between 1916 and 1921. The strength of training schools for men largely increased between 1916 and 1921 but slightly declined between 1921 and 1926. Similarly the number of training schools for men largely increased between 1916 and 1921, but decreased between 1921 and 1926.

The decrease in the number of training schools for men between 1921 and 1926 was partly due to a policy of retrenchment in some provinces but was mainly the result of the amalgamation of various grades of schools, resulting in a number of lower grade training classes not being classified as separate schools after their amalgamation with higher grade training schools. Such amalgamations did not, however, adversely affect enrolment.

The great expansion of education which has taken place in both periods, particularly in primary education between 1921 and 1926, has necessitated the adoption of special measures to provide a sufficient

number of trained teachers to meet the increased demand. But, mainly owing to financial reasons, several provinces have not been able to provide adequate facilities for the training of the additional teachers required. Between 1916 and 1921 all the provinces excepting Bengal, Burma and Assam increased the number of students under training in training schools, the increase being most marked in Madras, the United Provinces and in Bihar and Orissa. Between 1921 and 1926 while large increases were recorded in Madras, the Punjab and Burma, the number of students under training decreased in Bombay, Bengal, the United Provinces and in the Central Provinces.

The results of the steps taken to increase the output of trained teachers are reflected in the rise in the percentage of trained teachers to the total number of teachers. In 1916 the percentage of trained teachers to the total number of teachers in primary and secondary schools was 30·1 ; in 1921 it was 37·1 and in 1926, 45·6. The figures for secondary and primary schools separately were :—;

Secondary :—1916,—36·4, 1921,—43·3 and 1926,—50·6.

Primary :—1916,—28·3, 1921,—35·6 and 1926,—44·2.

The percentages for the individual provinces have been discussed in the chapters on secondary and primary education, but it is noticeable, with reference to the number of training institutions and scholars in the provinces, as mentioned above, that in 1926 the highest percentages of trained teachers in secondary schools were in Madras, the Punjab and Burma and the highest percentages of trained teachers in primary schools were in the United Provinces and in the Punjab.

The maintenance of an adequate supply of trained teachers and the satisfactory staffing of schools depends, amongst other things, on the qualifications demanded from candidates undergoing training, the value of the stipends offered to students under training and the scales of pay and the prospects of teachers generally. The steps taken to improve the supply and conditions of service of the teachers in Indian schools in the various provinces are outlined in the following paragraphs.

Madras.—Between 1916 and 1921 the pay of teachers in all Government secondary schools and in most Local Board secondary schools was improved and a recurring sum of one lakh was granted for the improvement of the pay of low-paid teachers in aided secondary schools. The stipends to students under training in aided training schools were raised, the secondary training course was increased to two years, except for candidates who had read up to the Intermediate standard, and endeavours were made to encourage higher elementary training in preference to lower elementary training.

The minimum pay of trained teachers in Local Board elementary schools was raised from Rs. 10 to Rs. 12 and a special allowance of Rs. 4 was paid to all the teachers in schools managed by Boards which were willing to meet half the cost of the allowances.

The rates of teaching grants to aided elementary schools were revised and the following table shows the improvement between 1916 and 1921 :—

	1916.	1921.
	Rs.	Rs.
	Per annum.	Per annum.
A Secondary Trained teacher	120	180
A Higher Elementary Trained teacher	48	96
A Lower Elementary Trained teacher	42	84
An untrained teacher	36	..
An untrained secondary teacher . . . . .	..	96
An untrained Higher Elementary teacher . . . . .	..	72
An untrained Lower Elementary teacher . . . . .	..	48

Between 1921 and 1926 the pay in some Local Board secondary schools was increased and the special one lakh teaching grant to aided secondary schools was continued. The qualifications for admission to both secondary and elementary training schools were raised, the pay of teachers in all Government Elementary Schools and in some Local Board Elementary Schools was increased and a compulsory provident fund scheme was introduced for all teachers on Rs. 20 and above in secondary and elementary schools. The rates of teaching grants payable to aided elementary schools were also raised so that an untrained secondary teacher received Rs. 120, a trained higher elementary teacher Rs. 120, an untrained higher elementary teacher Rs. 84 and untrained Lower Elementary teacher Rs. 60.

Bombay.—Between 1916 and 1921 the stipends of all classes of teachers under training were raised and the pay of teachers in Government and Local Board Secondary schools was improved. The following table shows the improvements made in the minimum pay of teachers in Government and Local Board primary schools :—

	1916.]	1921.
	Rs.	Rs.
	Per mensem.	Per mensem.
Unqualified teachers	9	20
Qualified teachers	9	25
Unqualified Headmasters	11	25
Qualified Headmasters	11	30
First year trained teachers	12	30
Second year trained teachers	15	35
Third year trained teachers	20	40

Between 1921 and 1926 the pay of teachers in Government and Local Board primary schools was again raised and the following scales were introduced :—

	Rs.
Unqualified teachers	20
Qualified teachers	25— $\frac{1}{2}$ —30
First year trained teachers	30— $\frac{1}{2}$ —35— $\frac{1}{2}$ —40
Second year trained teachers	35— $\frac{1}{2}$ —45—1—50
Third year trained teachers	40— $\frac{3}{4}$ —50—1—60

Headmasters and first assistants were given special allowanees and the scales of pay for all teachers in Sind were made higher than the scales for Bombay proper.

Bengal.—Between 1916 and 1921 the pay of teachers in all grades of Government schools was revised and the average pay of a teacher in a Local Board primary school (excluding the city of Calcutta) improved from Rs. 10·7 to Rs. 11·8 and that of a teacher in a privately managed school from Rs. 7·4 to Rs. 7·9. In 1916 the average minimum pay of a teacher in a Local Board primary school was Rs. 6 and that of a teacher in a privately managed primary school was Rs. 4, the corresponding figures for the year 1921 being Rs. 10 and Rs. 3 respectively.

Between 1921 and 1926 the number of stipen's available for teachers in vernacular training schools was raised and their value increased and an additional sum of Rs. 3 lakhs was sanctioned as grant-in-aid to aided secondary schools with the main objects of improving the pay of teachers and of instituting provident funds. A special grant of Rs. 2 lakhs was also made by Government to improve the pay of teachers in aided primary schools.

United Provinces.—Between 1916 and 1921 the number and value of stipends in all grades of training schools were increased, the pay of teachers in all Government secondary schools was improved and large increased grants were paid to aided secondary schools for enhancing the rates of pay of teachers. The following table shows the improvement in the minimum pay of teachers in Local Board primary schools :—

	1916.	1921.
	Rs.	Rs.
	Per mensem.	Per mensem.
Untrained teachers	8	12
Trained teachers	10	15
Head Masters	14	20

Between 1921 and 1926 a Government Provident Fund scheme was introduced for all teachers in recognised secondary schools and the minimum pay of trained teachers in Local Board primary schools was raised from Rs. 15 to Rs. 17 per mensem.

Punjab.—Between 1916 and 1921 the pay of all teachers in Government secondary schools was improved and the average monthly pay of a trained teacher in a Local Board primary school increased from Rs. 15 to Rs. 26. By 1921 the average minimum pay of a teacher in a Local Board primary school was Rs. 15·2 and the average minimum pay of a trained teacher of the lowest grade was Rs. 18·2.

Between 1921 and 1926 provident funds were made compulsory in all recognised secondary schools and the scales of salaries in most Local Board secondary schools were raised. The pay of trained teachers in Local Board primary schools was considerably improved and in 1926 the minimum pay of a trained teacher of the lowest grade was approximately Rs. 20 a month.

Burma.—Between 1916 and 1921 the qualifications necessary for admission to all grades of training were improved and the number and value of stipends were increased. The pay of all teachers in Government Anglo-Vernacular schools was improved and a minimum scale of salaries was fixed for all recognised aided Anglo-Vernacular schools. Between 1921 and 1926 the scales of salaries in vernacular secondary schools were improved, a provident fund scheme was instituted for all aided secondary schools and new and improved scales of pay were introduced for all primary schools under local authorities. Under the new rules governing the pay of Vernacular School Teachers, the minimum pay of the lowest grade uncertificated Primary School Teacher was fixed at Rs. 25.

Bihar and Orissa.—Between 1916 and 1921 the rates of pay of all teachers in Government schools were increased and the pay of teachers in most Local Board and aided secondary schools was improved. The average pay of a teacher in a Local Board primary school increased from Rs. 10·9 in 1916 to Rs. 13·1 in 1921 and that of a teacher in a privately managed primary school from Rs. 7·1 to Rs. 8·5, but in some districts the minimum pay was as low as Rs. 3. Between 1921 and 1926 the value of the stipends for teachers under training was raised and the qualifications necessary for admission to training schools were improved. A Provident Fund Scheme was introduced for all recognised aided secondary schools and the system of grant-in-aid to secondary schools was revised. The minimum pay of an untrained teacher in a Local Board primary school was fixed at Rs. 5 and that of a trained teacher of the lowest grade at Rs. 10. The average pay of a teacher employed in an aided primary school improved, between 1921 and 1926 from Rs. 8·5 to Rs. 9·9.

Central Provinces.—Between 1916 and 1921 the value of the stipends paid to teachers in training schools was raised, the pay of teachers in all Government, Local Board and aided secondary schools was improved. Provident funds were established in a large number of aided secondary and primary schools and the minimum pay of vernacular primary Local Board school teachers was fixed at Rs. 20 for a trained teacher and at Rs. 15 for an untrained teacher. The average pay of a teacher in an aided primary school rose from Rs. 10·4 to Rs. 15·3.

Between 1921 and 1926 the number and value of the stipends paid to students under training were increased and a Provident Fund scheme was made compulsory in all aided secondary schools. In most Local Board primary schools time scales of pay were introduced with the same minima as in the previous period and the average pay of a teacher in an aided primary school improved from Rs. 15.3 to Rs. 20.2.

Assam.—Between 1916 and 1921 the average pay of a teacher in a Local Board primary school improved from Rs. 9 to Rs. 14.6 and that of a teacher in an aided primary school from Rs. 9.6 to Rs. 15.2. The minimum pay of a teacher in a publicly managed primary school was also raised from Rs. 8 to Rs. 12.

Between 1921 and 1926 the value of the stipends in training institutions was raised and a special grant of Rs. 25,000 was given to aided secondary schools for the improvement of the pay of teachers.

The above details for the provinces show that while large variations exist between province and province, considerable improvement has taken place in the pay and conditions of service of teachers in both periods under review. In the matter of the pay of [primary] [school] teachers, who form the great majority of all classes of teachers, the greatest improvement occurred in Bombay, the Punjab, Burma and in the Central Provinces.

Expenditure.—In 1916 the total expenditure on training colleges and schools in British India was Rs. 32.67 lakhs of which Government funds met 80.6 per cent. and other sources 19.4 per cent. The corresponding figures for the years 1921 and 1926 were :—1921,—total expenditure Rs. 60.68 lakhs, Government funds 85.9 per cent., other sources 14.1 per cent. 1926,—total expenditure Rs. 65.28 lakhs, Government funds 90.1 per cent. and other sources 9.9 per cent.

CHAPTER XIV.—TECHNICAL, INDUSTRIAL AND VOCATIONAL EDUCATION.

In the periods under review technical, industrial and vocational education have been developed by the establishment and maintenance of special institutions and by the broadening of the curricula in schools for general education. The first part of this chapter, therefore, deals with technical and industrial schools and the second part is concerned with the vocational side of general school education.

Special Schools.

Commercial Schools.—In addition to the Commercial Colleges mentioned in a previous chapter there were in 1916, 65 commercial schools with 3,647 pupils; in 1921, 58 schools with 3,799 pupils and in 1926, 139 schools with 6,750 pupils. The courses of instruction have naturally varied in the different institutions, but the majority of the commercial schools provided courses in shorthand, typewriting, book-keeping, banking and commercial geography. The demand for commercial education

has varied considerably as between province and province and between 1921 and 1926 the number of schools increased from 2 to 48 in Madras, from 31 to 36 in Bombay, from 15 to 27 in Bengal and from 7 to 10 in Bihar and Orissa.

There were no commercial schools in the United Provinces, the Punjab and Burma in 1921 but in 1926 there were 3 in the United Provinces, 1 in the Punjab and 13 in Burma. The Central Provinces had one school in 1921, but no school in 1926 and Assam had no school in either year. The figures for 1926 include the following schools for women :—2 in Bengal, 1 in Bombay, 1 in the Punjab and 1 in Burma.

Technical and Industrial Schools.—In 1916 there were 237 schools with 12,685 pupils ; in 1921, 276 schools with 14,082 pupils and in 1926, 396 schools with 20,818 pupils. The figures for 1926 include 77 schools for girls with 3,358 pupils.

It is difficult to generalise with regard to the type of instruction given in these institutions and the class of student attending the courses, but the majority of the schools are trade and craft schools training industrial apprentices, artisans and workers in special crafts. The technical and industrial schools of Madras, Bombay and Bengal alone include the following variety of schools and classes :—Railway schools, mining schools, minor engineering schools, carpentry schools, spinning and weaving schools, textile manufacture and leather trade schools and classes in building, printing, motor driving, blacksmithy, dyeing, metal work, wood work, plumbing, sanitary engineering, lacquer work, pottery, cane work, basket making, lace making and embroidery. The large increase in the number of schools and pupils since 1921 indicates the extent of the demand for practical training and a special feature of some of these trade schools in the major provinces has been the training of apprentices and workmen by agreement with their employers, such as Railway Companies, Factories, Mills, etc.

Agricultural Schools.—In addition to the Agricultural Colleges mentioned in a previous chapter there were in 1916, 3 Agricultural schools with 71 pupils ; in 1921, 11 schools with 291 pupils and in 1926, 17 schools with 517 pupils. The 17 schools in 1926 included 10 under Government management and one school for girls under Mission management in Bihar and Orissa. Six of the schools are in Bombay, three in Bengal and three in Madras. These 12 schools are similar in character and provide a two years' vernacular course for the sons of agriculturalists. Boarding, lodging and tuition are provided free in the Bombay schools. The Agricultural school in the United Provinces provides a two years' vernacular course for fieldmen, a course for Farm Mechanics and a course for teachers from Vernacular Middle Schools.

Vocational classes in schools for general education.

In both periods, but particularly between 1921 and 1926, there has been a marked tendency to broaden the courses of instruction both in

secondary and primary schools so as to give manual training, in some form, to all grades of pupils, to widen the choice of optional subjects and to make the public examinations not merely a test of efficiency leading to higher literary education, but also an opportunity for qualifying for direct employment or for further technical study. In rural vernacular schools much has been done to make the curriculum suitable for the children of the agricultural classes, who form the bulk of the school-going population, and to adapt the instruction to the needs of the village pupil who is likely to return to a rural occupation.

The following paragraphs summarise, as far as possible, the activities of the various provinces in these directions :—

Madras.—Prior to 1921 the Secondary School Leaving Certificate Examination, taken at the end of the high school course, included the following technical subjects as optionals :—*shorthand, typewriting, book-keeping, précis writing and indexing, commercial practice and geography, commercial arithmetic, agriculture, domestic economy, dress making and lace making* ; manual training classes were working at a number of centres and carpentry and weaving classes were being held in a number of secondary schools.

Between 1921 and 1926 Practical Telegraphy was added to the list of optional subjects taken in the Secondary School Leaving Certificate Examination and the number of candidates appearing for commercial subjects largely increased. In the same period there was a rapid development of manual training and practical or vocational instruction in secondary and primary schools and by the end of the year 1926 as many as 68 secondary schools were giving instruction in some form of manual training and the total number of pupils receiving such instruction was approximately 12,000. The courses of instruction included wood work and mechanical drawing, weaving, carpentry, metal work, agriculture, tailoring, engraving, rattan work, spinning, book-binding, sericulture, horticulture, dyeing, mica work, coir work, smithy, printing and market gardening.

In elementary schools, similar developments took place on a smaller scale and by the end of 1926 over 2,000 pupils reading in standards IV to VIII were receiving instruction in practical training classes attached to 24 institutions. The instruction included courses in weaving, tailoring, carpentry, woodwork and agriculture.

There was also a very large increase in the number of practical classes attached to training schools for teachers and by the end of 1926 there were 54 such classes with over 8,000 students in attendance. The courses included instruction in wood work, mechanical drawing, weaving, rattan and bamboo work, textile printing, aluminium work, engraving, book-binding and basket work.

It has to be noted, however, that the main object of the development of practical training in all grades of schools was educational rather than vocational and that though pupils might have been aided by the study of a form of handicraft ultimately to become artisan apprentices the

improvement of their general education was fundamental to the introduction of the training already described. In 1922 the post of Manual Training Instructor attached to the Government Training College for Teachers, Saidapet (Madras), was converted into the post of Adviser to Government on Manual and Vocational training and the officer who held the post supervised the development of the schemes already outlined.

Bombay.—Prior to 1921 both the School Final Examination and the School Leaving Examination, which were conducted by the Joint Examination Board created in 1918, included practical subjects such as carpentry, short-hand, type-writing, book-keeping and commercial correspondence and manual training was introduced into a few primary schools.

Between 1921 and 1926 there was little development in regard to practical training in secondary schools though domestic science and manual training were added to the optional subjects in the School Leaving Examination. In primary schools, however, an important change was introduced in 1923 by the bifurcation of the primary school course after standard IV and the provision of a special alternative curriculum with an agricultural bias for standards V to VII. By the year 1926, 43 primary schools had adopted the alternative course and 1,252 pupils were under instruction in standards V to VII. The object of the alternative course was not to train agriculturists, but to give a general school education with a bias towards agriculture and with this end in view the course included theoretical and practical teaching in simple village agriculture with actual work on small agricultural plots and instruction in village carpentry and smithy.

Bengal.—Prior to 1921 manual instruction was being given in 22 secondary schools and the subjects taught included carpentry, spinning and weaving. Between 1921 and 1926 no progress was made in the development of manual training in secondary schools and it would appear that even the existing vocational classes lost their popularity.

In 1923 a revised curriculum for primary schools was introduced and included manual work for boys and manual work, including clay-modelling and domestic science, for girls.

United Provinces.—In 1921 there were 32 secondary schools taking commercial subjects, including shorthand, type-writing, book-keeping and commercial correspondence, in the School Leaving Certificate Examination and 11 schools taking manual training, but the number of candidates at the examination both for commerce and manual training was very small.

Between 1921 and 1926 the whole position of vocational instruction in schools for general education was reviewed and it was decided that the demand for vocational education could best be met by the provision of special schools. But manual training was encouraged and developed in secondary schools because of its general educative value. The number of students taking up commercial subjects in secondary schools in-

creased and spinning and weaving were introduced into the syllabus for domestic science in girls' high schools.

In 1924 Government decided to introduce practical agriculture as a compulsory subject in a limited number of vernacular middle schools and by 1926, 9 Board schools had opened agricultural classes. These classes were not designed to produce expert agriculturists, but to give an agricultural bias to the general school education. In 1925 Government further decided to introduce wood work as a form of compulsory manual training in vernacular middle schools and by 1926, 15 Board schools had opened wood work classes in specially constructed manual training blocks.

The Punjab.—Between 1916 and 1921 the optional subjects in the School Leaving Certificate examination included commercial subjects and the tuition in these subjects was in the majority of cases given in special clerical training centres, attached to individual secondary schools, but open to students from all the neighbouring schools. Similarly the manual training given to pupils in secondary schools was mainly conducted in special training centres and by the end of the year 1921 there were 19 such manual training centres and 36 commercial training centres. With regard to primary schools the outstanding feature of the period was the opening of practical agricultural courses in vernacular middle schools, the schools chosen being provided with small farms or garden plots. The teaching in these classes was in the hand of rural teachers especially trained at the Government Agricultural College, Lyallpur, and the course of instruction was intended to adapt the curriculum of the rural vernacular middle school to the needs of the rural community. By the end of the year 1921, 44 middle schools were teaching agriculture and several high schools, with farms attached, were conducting practical classes in agriculture.

Between 1921 and 1926 the schemes for vocational training initiated in the previous period were further developed and it was definitely decided as a matter of policy not to institute separate schools for the teaching of vocational subjects but to adapt the instruction in the ordinary schools to the lives and environment of the pupils so as to train boys both for ordinary rural occupations and where possible, for ultimate study in craft schools and wholly vocational classes.

The system of opening agricultural classes in the ordinary vernacular middle schools was continued and by the end of the year 1926 there were 102 schools teaching agriculture, 50 with farms attached and 52 with garden plots. Agriculture was included as a subject in the Matriculation examination, but little progress was made in the development of agricultural farms and classes attached to high schools. The policy of giving a form of vocational instruction in the schools for general education naturally necessitated a revision of the curriculum in training schools and in the period under review farming, gardening and manual work formed an essential part of the work in most vernacular training schools.

Burma.—Prior to 1921 commercial subjects, weaving, lace-making and sloyd were taught in a number of Anglo-vernacular and vernacular schools, but it was an accepted policy that facilities for vocational education should be provided for in special schools. Between 1921 and 1926 no special developments took place except that the number of vernacular schools using trained sloyd teachers increased and sloyd training classes were attached to four Government training schools.

Bihar and Orissa.—Between 1916 and 1921 a School Leaving Certificate Examination was introduced at the end of the high school course and provision was made for candidates taking commercial subjects manual training and domestic science and manual training instruction was given in classes attached to four Government High Schools. Between 1921 and 1926 the whole question of vocational education both in special schools and in schools for general education was considered by a Committee appointed by Government in 1922. By 1925 orders had been passed on the report of the Committee and as the result of the Committee's recommendations vocational subjects were introduced into a number of middle and high schools, while more attention was paid to school-gardening, nature study, clay modelling and paper work in primary schools. In middle schools a number of classes for agriculture, carpentry, weaving and tailoring were opened and by the end of 1926 manual training was being taught in 11 high schools and commercial subjects in 9 high schools. In 1924 spinning was made compulsory for girls over 10 years of age in primary schools and optional for boys over that age in primary schools.

Central Provinces and Berar.—Between 1916 and 1921 manual training, chiefly in the form of woodwork, was introduced into a number of secondary schools and in 1919 a Director of Manual Training was appointed. In primary schools endeavours were made through the encouragement of school gardening and nature study to adapt instruction more closely to rural needs and instruction in practical agriculture was in a few cases experimented with.

Between 1921 and 1926 the whole question of vocational education was considered by a committee which was appointed by Government to consider the needs of the province in the matter of vocational training, but the recommendations of the Committee were mainly concerned with technical and industrial education in special institutions. Manual training was developed in a large number of high and middle schools and by the end of 1926-27 manual training centres had been established. In 1925 a special two years' course of training for manual training instructors was opened in the Government Training College, Jabulpore, and instruction in manual training was given to the teachers under training in all training schools.

Assam.—In neither period was there any special development of vocational training in schools for general education and the accepted policy was not to encourage such developments.

CHAPTER XV.—THE TRAINING OF CHARACTER.

No attempt will be made in this chapter to discuss all the sides of school and college education which help in the formation of character, since it is not possible to summarise within a brief space the athletic activities in schools and colleges, the changes in curricula concerned with the teaching of hygiene, civics, first aid, temperance, etc., and the corporate life of educational institutions in the Provinces. But the following paragraphs give a short outline of recent developments connected with University Training Corps, the Boy Scout and Girl Guide movements, Religious and Moral Instruction and the provision of Hostel accommodation.

University Training Corps.—Though the Universities of Bombay and Calcutta raised University Companies in connection with the Indian Defence Force as far back as 1917, the establishment of University Training Corps was not placed on a permanent basis until after the passing of the Indian Territorial Force Act, in 1920, which provided for the creation of provincial territorial infantry battalions and of University Training Corps. Subsequent to the year 1920 University Training Corps were established in most of the provincial and local universities and by the end of 1926 the number and sanctioned strength of these units were as follows :—

University.	Unit.	Establishment all ranks.
Bombay	1st Bombay Battalion	664
Calcutta	2nd Calcutta „	664
Allahabad	3rd United Provinces Battalion	664
Lahore	4th Lahore Battalion	664
Madras	5th Madras „	664
Rangoon	6th Burma „	664
Patna	7th Patna Company	165
Delhi	9th Delhi „	165

The 3rd United Provinces Battalion included units from the Universities of Allahabad, Lucknow, Agra, Aligarh and Benares. With the exception of the 6th Burma Battalion, the actual strength of the Battalions and Companies has seldom fallen much below the sanctioned strength and between 1921 and 1926 several Universities reported that the number of applicants for admission to the Corps far exceeded the possible number of vacancies. The report of the Auxiliary and Territorial Forces Committee, published in 1925, stated that “by means of the University Training Corps, if properly organised and developed, it is possible to educate and influence over a number of years that large body of young men who should become the leaders of thought and the teachers of the next generation. Their training in the principles and practice of military service will not be limited to themselves, for, when they go out into the world, they will if their military training has been

adequate, take with them the spirit of patriotism, the sense of discipline and the improved physique which will be their legacy from the University Training Corps." It would be out of place here to attempt to show how far these ideals have been realised, but the reports on the work of the various Corps clearly indicate that the Corps have helped to foster freedom from caste prejudices, a sense of discipline, pride in athletic prowess and physical well-being and the qualities of leadership.

Boy Scouts.—Prior to 1917 the Boy Scout movement had made little headway in Indian schools, though a number of troops existed in European schools. The main difficulties in the way of development were the exclusion of Indian troops from the Imperial Boy Scouts Association and lack of adequate finances and qualified supervision. In 1917 the Government of India addressed all local Governments and suggested that, while the formation of Boy Scout troops called for no interference by Government, official encouragement should be given to the movement and that troops should be established in Government schools. The visit of the Chief Scout to India in 1920 also gave a great stimulus to the movement and in 1921 the admission of Indian scouts into the Imperial Boy Scouts Association resulted in the amalgamation of a number of separate Associations in the various provinces. By the year 1921 the total number of officers, scouts, rovers and cubs in British India was approximately 20,000. This figure included scouts who were not members of the Imperial Boy Scouts Association; the actual membership of the Association in India and in the Indian States being only 15,000. By the year 1926 the number of officers, scouts, etc., had increased to over 80,000 and the Boy Scouts Associations in all the Provinces, except in Assam, were in receipt of grant-in-aid from provincial funds. Many scout troops have been organised independently of educational institutions and in spite of the large increase in the total number of scouts a very large number of schools are without any scout troops.

In Madras the number of scouts increased from 6,500 in 1921 to over 8,000 in 1926. Up to the year 1922 the organisation of scout troops was supervised by the Assistant Physical Adviser to Government, but subsequently, with the aid of Government funds, the local Association appointed two whole time organising Secretaries. In 1926 the Government were paying a recurring annual grant of Rs. 10,000 to the Association. A special feature of the movement in Madras has been the starting of Sea Scout troops, criminal tribe troops and a troop for leper boys.

In Bombay there was little progress prior to 1919, in which year an officer of the Indian Educational Service was placed on special duty to organise the scout movement. In 1921 this officer and 6 Indians were deputed to England for scout training and in the same year a sum of Rs. 90,000 was collected by public subscription for the Scouts Association. In 1926 there were 417 troops with nearly 11,000 scouts and the Government's annual grant to the Association was Rs. 40,000.

In the United Provinces there were few scout troops, except in European schools, prior to 1919, in which year the Indian Boy Scouts Association and the Seva Samiti Boy Scouts Association were started. In 1922 the Indian Boy Scouts Association was amalgamated with the Imperial Boy Scouts Association and the new Association started with 100 troops and 2,000 scouts. By the year 1926 there were 6,700 scouts in the Boy Scouts Association and over 15,000 scouts in the Seva Samiti Association. In the same year Government was paying a recurring grant of Rs. 12,000 to each Association.

In the Punjab between 1921 and 1926 Scouting developed rapidly under the guidance of a special organising officer and the number of scouts increased from 6,000 to over 12,000. The Association is in receipt of an annual grant of Rs. 4,000 from Government funds.

In Bihar and Orissa the number of scouts increased from 221 in 1921 to 9,000 in 1926 and in the latter year Government paid a recurring grant of Rs. 10,000 to the Association.

In the other provinces there was little scout activity prior to 1921, but by the year 1926 there were 3,000 scouts in Bengal, 5,000 in Burma, 5,000 in the Central Provinces and 500 in Assam.

In 1926 the Government grant in Burma was Rs. 4,200 and in the Central Provinces Rs. 14,500.

Girl Guides.—Prior to 1921 there were very few Girl Guides Troops and accurate figures are not available for the total number of Girl Guides in any one year, but in the individual provinces considerable progress has been made since 1920, particularly in schools for Indian girls which previously had not participated in the movement to any extent.

In Madras the number of companies and flocks increased from 65 in 1922 to 137 in 1926 and in the latter year the Government gave an annual recurring grant of Rs. 3,000 to the Association. In the United Provinces in 1926 there were 60 companies and flocks, including some Purdah companies, and in Burma the number of Girl Guides increased from 471 in 1921 to 1,069 in 1926. In the latter province the Association receives an annual grant of Rs. 1,500 from Government. In Bihar and Orissa there were 10 companies with 598 guides in 1926 and in the Central Provinces the number of guides increased from 100 in 1921 to 866 in 1926. In the latter province an annual grant of Rs. 2,500 is made to the Association by Government.

Religious and Moral Instruction.—In India with its variety of races and creeds direct religious instruction in educational institutions has always presented considerable difficulties and in consequence until the year 1921 the attitude of Government was one of strict neutrality as far as publicly managed schools were concerned and of non-interference with regard to privately managed schools. The Government of India was, however, alive to the importance of the problem and their Resolution of 1913 stated that "the Government of India, while bound to maintain a position of complete neutrality in matters of religion, observe

that the most thoughtful minds in India lament the tendency of existing systems of education to develop the intellectual at the expense of the moral and religious faculties. In September 1911 they invited local Governments, other than the Bombay Government, to assemble local committees in order to consider the whole question. Such committees are still at work in some provinces. For the present the Government of India must be content to watch experiments and keep the matter prominently in view. Enlightened opinion and accumulated experience will, it is hoped, provide a practical solution to what is unquestionably the most important educational problem of the time."

The provincial conferences held during 1911 and subsequent years confined their recommendations almost entirely to the question of moral instruction and no large change in policy resulted from their deliberations. In 1921 the Government of India addressed all local Governments on the question of the introduction of religious instructions into Government schools and stated that "the Government of India, so far as they are concerned, have no intention whatever of receding from their attitude of strict religious neutrality or from the principle that Government schools ought not to be used as a means of fostering any one religion at the expense of others. But they are of the opinion that the embargo which hitherto has been placed on the introduction of religious instruction in publicly managed schools may be removed." The Government of India also made it clear, while indicating the conditions under which religious instruction might be permitted in publicly managed schools, that the matter was one in which local Governments might adopt such lines of action as they themselves thought fit. Until the year 1921, therefore, though religious instruction was imparted in many privately managed schools, in denominational schools and in schools for Muhammadans no direct religious instruction, except in rare cases, was permitted in schools under public management.

The steps taken in the various provinces to encourage religious and moral instruction are briefly summarised in the following paragraphs :—

Madras.—In both periods under review moral instruction was imparted in all secondary schools in accordance with a departmental syllabus and religious instruction was given in many aided schools and in most Muhammadan institutions. In 1922, the Government after consulting all local bodies, issued orders permitting religious instruction in publicly managed schools on condition that institutions under public management should not foster any one religion at the expense of others, that public funds should not be used for imparting religious instruction, that the majority of the members of a local body must sanction the introduction of religious instruction and that the religious instruction given must take place outside regular school hours.

Bombay.—In 1913 moral instruction was made part of the curriculum in all training institutions and direct moral instruction was imparted with the aid of specially prepared text books in all Government and in

most other secondary schools, but by the year 1922 many schools had ceased to give direct moral instruction.

In 1923 the grant-in-aid rules were amended so as to prohibit grant-in-aid being given to any school which enforced religious instruction against the wishes of the parents of the pupils.

Bengal.—In both periods under review no direct religious or moral instruction was given in any recognised schools except in denominational and Muhammadan schools.

United Provinces.—In 1921 the Educational Code was amended so as to prevent religious instruction being given in any aided institution to any pupil unwilling to receive it and so as to limit the time of religious instruction in aided schools to periods outside regular school hours. In both periods direct moral instruction was given in only a few schools, but moral lessons on temperance and hygiene, etc., were given in all secondary schools.

Punjab.—No special steps have been taken to impart religious or moral instruction in the ordinary schools, but denominational schools for Muhammadans with religious classes attached have been encouraged. The Educational Code in both periods prohibited the giving of religious instruction in Government or Local Board Schools except out of school hours and then only at the express request of the parents or guardians of the pupils and no charge on account of religious instruction could be paid from public funds.

Burma.—In 1917 "morals and civics" was made a compulsory subject in all Anglo-vernacular and vernacular schools, but in 1918 the subject was withdrawn from the curriculum. In 1920 a conscience clause was introduced for all English and Anglo-vernacular schools prohibiting compulsory religious instruction for students unwilling to receive it.

Between 1921 and 1926 the rules provided that religious instruction must be given in all grades of Government institutions when demanded by the parents and in all aided vernacular schools under Buddhist management religious instruction was compulsory.

Bihar and Orissa.—Between 1916 and 1921 direct moral instruction was given in most schools and subsequent to 1922, as the result of the recommendations of an educational conference, religious instruction for a period of at least two hours a week in school hours was made compulsory in all aided non-denominational schools.

Central Provinces and Berar.—In both periods religious instruction was given in sectarian schools and religious instruction out of school hours was permitted in Government and Local Board Schools for such communities as provided for the instruction at their own expense. In aided schools, the managements were prohibited from using any portion of the Government grant-in-aid on religious instruction. No direct moral instruction was given in any school.

Assam.—In both periods religious instruction was practically confined to Mission and Muhammadan schools and no direct moral instruction was given. In all publicly managed schools special facilities for religious instruction for Muhammadan pupils were provided.

Hostels.—The Government of India and the local Governments have continually laid stress on the necessity for providing college and secondary school students with suitable residential accommodation as an essential part of sound education. In their Resolution of 1904 the Government of India stated that “great importance is attached by the Government of India to the provision of hostels or boarding-houses, under proper supervision, in connection with colleges and secondary schools. These institutions protect the students who live in them from the moral dangers of life in large towns; they provide common interests and create a spirit of healthy companionship: and they are in accord not only with the usage of English public schools and colleges but also with the ancient Indian tradition that the pupil should live in the charge of his teacher”. And again in their Resolution of 1913 the Government of India announced that it was their desire “to see the hostel system develop until there is adequate residential accommodation attached to every college and secondary school in India”. In both the periods under review there was a large expansion of hostel facilities in all the provinces, but the expansion was most rapid between 1916 and 1921 and in the 4 years prior to 1916. In 1912 the total number of recognised hostels was 2,796 and in 1922 it was 4,045. Between the years 1912 and 1917 the Government of India gave special Imperial grants to the provinces for the construction of hostels amounting in all to a total of Rs. 1,32,82,000.

In 1916 there were 139,941 boarders in approved hostels in British India, in 1921, 175,701 boarders and in 1926, 222,977 boarders. The following table shows the distribution of boarders between the various grades of educational institutions in the years 1916 and 1921 :—

	1916.	1921.
Arts Colleges	12,198	15,428
Professional Colleges	2,603	4,588
Secondary Schools	84,176	104,459
Primary Schools	23,655	27,512
Special Schools	17,309	23,677

CHAPTER XVI.—EDUCATION IN DIRECTLY ADMINISTERED AREAS.

North West Frontier Province.—In 1916 there were 42,287 scholars in recognised institutions; in 1921, 45,770 scholars and in 1926, 58,416 scholars. In 1916 the percentage of scholars under instruction to the total population was 1.9; in 1921, 2.1 and in 1926, 2.5. The

corresponding figures for male and female scholars separately were ; males :—1916,—3.2, 1921,—3.5, 1926,—4.2 ; females 1916,—0.3, 1921,—0.4, 1926,—0.6.

Collegiate.—In the years 1916 and 1921 there were 2 Arts Colleges for men and in 1926, 3 Arts Colleges for men. The total enrolment in these colleges was 146 in 1916, 132 in 1921 and 401 in 1926. No women were reading in colleges in either period.

The total expenditure on Arts Colleges rose from Rs. 0.67 lakhs in 1916 to Rs. 0.94 lakhs in 1921 and again to Rs. 1.48 lakhs in 1926.

Secondary.—In 1916 there were 50 secondary schools with an enrolment of 12,808 scholars ; in 1921, 80 schools with 16,555 scholars and in 1926, 113 schools with 24,381 scholars. Between 1916 and 1921 the number of schools increased by 60.0 per cent. and the number of scholars by 30.0 per cent. Between 1921 and 1926 the number of schools increased by 41.3 per cent. and the number of scholars by 46.4 per cent. The figures for girls schools separately show that there were 3 schools with 591 scholars in 1916, 4 schools with 825 scholars in 1921 and 15 schools with 2,228 scholars in 1926. The number of girls reading in secondary schools thus increased by 39.6 per cent. between 1916 and 1921 and by 170.1 per cent. between 1921 and 1926.

In 1916 the percentage of trained teachers in secondary schools to the total number of trained teachers was 53.6 ; in 1921, 57.4 and in 1926, 64.3.

The total expenditure on secondary schools was Rs. 2.67 lakhs in 1916 ; Rs. 5.39 lakhs in 1921 and Rs. 8.02 lakhs in 1926.

Primary.—In 1916 the total number of primary schools was 624 with an enrolment of 29,246 scholars ; in 1921, 692 schools with 28,852 scholars and in 1926, 566 schools with 32,563 scholars. The figures for girls schools separately were :—1916,—40 schools and 2,918 scholars ; 1921,—56 schools and 3,516 scholars and 1926,—68 schools and 4,270 scholars. The main reason for the fall in the total number of schools between 1921 and 1926 was the retrenchment in expenditure which took place in the year 1922-23 as the result of which 120 primary schools were closed.

In 1916 the percentage of trained teachers in primary schools to the total number of teachers was 32.0 ; in 1921, 40.1 and in 1926, 51.3.

In 1916 the total expenditure on primary schools was Rs. 1.90 lakhs ; in 1921, Rs. 3.69 lakhs and in 1926, Rs. 3.79 lakhs.

Between 1916 and 1921 educational progress was severely affected by the Great War, the Afghan War, tribal warfare and economic distress. But inspite of these handicaps the number of schools and scholars increased and expenditure expanded. The important features of the period included the appointment of an Inspectress of girls schools, the establishment of a Text Book Committee and the revision of pay of all classes of teachers.

tute Book in such manner as to transfer the powers in question to the local Government. Proposals to this end were placed before the Calcutta High Court in the Home Department letter no. 1359, dated the 18th July, 1921, and evoked a strenuous protest voiced in a letter from the Registrar of the High Court, no. 5245-G., dated the 12th September, 1921. That letter admitted the anomaly, but put forward the contrary remedy of making the Calcutta High Court—and incidentally all other High Courts—a central subject. Considerable stress was laid by the Judges on the history of the existing provincial classification as described in paragraph 7 of this note. The alternative proposal of the High Court did not commend itself to the Government of India, but in deference to the opposition of the Judges to the Government proposal, the latter was not proceeded with and the question has since remained in abeyance.

12. The foregoing account should have made it clear that the administrative control exercised by and over the High Courts is part of the general administration of justice. It has, however, in the past been possible to give separate treatment to this question of the High Courts and there are advantages in keeping it distinct now, provided that the matters which are and are not in dispute can be clearly distinguished. The problem has emerged in connection with the High Court at Calcutta and on account of the anomaly there inherent in the division of executive functions between the central and the local Governments. But it has at once taken a wider scope, for all High Courts are concerned as soon as the issue arises whether a local executive or legislative should possess any powers to control or influence the administrative acts of a High Court.

Points of present agreement—The broad issue.

So far as discussions have gone there are several important points on which there is agreement or which at least have not been challenged. These points may therefore be excluded for the present from consideration. First, the question of the appointment of Judges of High Courts and the conditions of their term of office is not in issue. Minor matters, such as the filling of temporary vacancies, and the procedure on the assumption and demission of office are not subjects of agreement. But they do not affect materially the conditions of appointment and of tenure, and they can be settled independently of the decision regarding control of the administration by the High Court.

Second, it is not contended that the administrative functions of the High Court, except possibly those entrusted to them by provincial Civil Courts Acts, should be withdrawn or curtailed. Amendment of the Letters Patent or of the provisions of the Government of India Act with this object has not been suggested.

Third, it is apparently agreed that the administrative functions of the High Court cannot be irresponsible. There must be control by some executive and a power of control or influence in some legislature. It has not been contended that the present restrictions on the administrative powers of High Courts, such as the requirement of previous sanc-

1922 a Boy Scouts Organisation was established which developed satisfactorily until by the year 1926 there was a total of over 300 scouts.

Ajmer-Merwara.—In 1916 there were 9,754 scholars reading in recognised institutions; in 1921, 10,063 scholars and in 1926, 12,026 scholars. In 1916 the percentage of scholars under instruction to the total population was 1.9; in 1921, 2.0 and in 1926, 2.4. The corresponding figures for male and female scholars separately were:—Males—1916,—3.4, 1921,—3.3 and 1926,—3.8; females—1916,—0.3, 1921,—0.4 and 1926—0.7.

Collegiate.—In both periods there was one Arts College for men, with 131 students in 1916, 87 students in 1921 and 131 students in 1926. The total expenditure on colleges in 1916 was Rs. 0.33 lakhs; in 1921, Rs. 0.45 lakhs and in 1926, Rs. 0.74 lakhs.

Secondary.—In 1916 there were 30 secondary schools with an enrolment of 4,348 scholars; in 1921, 32 schools with 3,321 scholars and in 1926, 33 schools with 4,484 scholars. Between 1921 and 1926 the number of secondary schools for girls rose from 6 with 545 scholars to 7 with 977 scholars. In 1921 the percentage of trained teachers to the total number of teachers was 37.8 and in 1926 it was 41.1.

In 1916 the total expenditure on secondary schools was Rs. 1.42 lakhs; in 1921, Rs. 1.93 lakhs and in 1926, Rs. 3.14 lakhs.

Primary.—In 1916 there were 94 primary schools with an enrolment of 4,019 scholars; in 1921, 144 schools with 6,483 scholars and in 1926, 158 schools with 7,249 scholars. The figures for girls separately were 1916,—8 schools with 351 scholars; 1921,—11 schools with 532 scholars and 1926,—12 schools with 652 scholars. In 1921 the percentage of trained teachers to the total number of teachers was 37.7 and in 1926 it was 60.7.

The total expenditure on primary schools was Rs. 0.41 in 1916; Rs. 0.67 in 1921 and Rs. 1.22 in 1926.

Between 1921 and 1926 Boy Scouts and Girl Guides Associations were established. The post of Superintendent of Education for Ajmer-Merwara and Delhi was abolished and the work transferred to the Educational Commissioner with the Government of India. A post of Assistant Superintendent for Education was created and the pay of the staff of the Government College, Ajmer, was revised.

Delhi.—In 1916 there were 10,620 scholars reading in recognised institutions, in 1921, 13,461 and in 1926, 21,906. The percentage of scholars under instruction to the total population was 2.6 in 1916, 3.2 in 1921 and 4.5 in 1926. The corresponding figures for male and female scholars separately were:—males—1916, 3.8, 1921,—4.9 and 1926,—6.6; females—1916,—1.0, 1921,—1.2 and 1926,—1.6.

Collegiate.—In 1916 there were 2 colleges with an enrolment of 309 scholars; in 1921, 3 colleges with an enrolment of 559 scholars and in 1926, 6 colleges with an enrolment of 1,112 scholars. The latter figure

included one college for women with 44 scholars. In 1916 the total expenditure on colleges was Rs. 0·67 lakhs, in 1921, Rs. 1·30 lakhs and in 1926, Rs. 3·01 lakhs.

Secondary.—In 1916 there were 17 secondary schools with an enrolment of 3,848 scholars ; in 1921, 42 secondary schools with 6,752 scholars and in 1926, 47 schools with 10,548 scholars. The figures for girls schools separately were :—1916, 7 schools with 1,225 scholars ; 1921, 8 schools with 1,015 scholars and 1926, 10 schools with 1,774 scholars.

In 1916 the percentage of trained teachers to the total number of teachers was 55·1 ; in 1921, 66·6 and in 1926, 75·0.

In 1916 the total expenditure on secondary schools was Rs. 1·47 lakhs ; in 1921, Rs. 3·12 lakhs and in 1926, Rs. 4·54 lakhs.

Primary.—In 1916 there were 100 primary schools with an enrolment of 6,066 scholars ; in 1921, 146 schools with 5,446 scholars and in 1926, 158 schools with 9,233 scholars. The figures for girls schools separately were :—1916, 13 schools with 701 scholars ; 1921, 22 schools with 1,012 scholars and 1926, 25 schools with 1,432 scholars.

In 1916 the percentage of trained teachers to the total number of teachers was 52·1 ; in 1921, 60·4 and in 1926, 58·9.

In 1916 the total expenditure on primary schools was Rs. 0·77 lakhs, in 1921, Rs. 0·98 lakhs and in 1926, Rs. 1·74 lakhs.

Until April 1921 education in Delhi remained under the administrative control of the Director of Public Instruction, Punjab, but in 1921 a Superintendent of Education was appointed for Delhi and Ajmer-Merwara. In May 1922 the Delhi University was founded and the three local Arts Colleges ceased to be affiliated to the Punjab University ; the Lady Hardinge Medical College, however, remained under the Punjab University. In 1926 compulsion for boys only was introduced in 2 wards of the Delhi Municipality. In 1926 also a Board of Secondary Education was established which took over the control of the High School and School Leaving Certificate examinations.

Bangalore.—In 1916 there were 10,374 scholars in recognised institutions ; in 1921, 11,687 and in 1926, 13,625. In 1916 the percentage of scholars to the total population was 10·3 ; in 1921, 9·9 and in 1926, 11·4. The figures for male and female scholars respectively were :—Males—1916,—12·3 ; 1921,—12·3 and 1926,—12·8. Females—1916,—7·5 ; 1921,—7·2 and 1926,—8·7.

Collegiate.—In both periods there were 2 colleges one for men and one for women. In 1916 the total number of scholars was 743, including 292 women ; in 1921, 787 scholars, including 328 women and in 1926, 425 scholars including 310 women.

The total expenditure in colleges was Rs. 0·61 lakhs in 1916 ; Rs. 0·79 lakhs in 1921 and Rs. 0·51 lakhs in 1926.

Secondary.—In 1916 there were 21 secondary schools with an enrolment of 4,102 scholars ; in 1921, 20 schools with 4,047 scholars and in

1926, 21 schools with 4,949 scholars. In 1921 the percentage of trained teachers to the total number of teachers was 69·7 and in 1926 it was 67·3.

The total expenditure on secondary schools was Rs. 1·88 lakhs in 1916; Rs. 3·98 lakhs in 1921 and Rs. 3·11 lakhs in 1926.

Primary.—In 1916 there were 58 primary schools with 5,319 scholars; in 1921, 83 schools with 6,715 scholars and in 1926, 73 schools with 7,295 scholars. In 1921 the percentage of trained teachers to the total number of teachers was 69·7 and in 1926 it was 75·6.

The total expenditure on primary schools was Rs. 0·69 lakhs in 1916; Rs. 1·10 lakhs in 1921 and Rs. 1·31 lakhs in 1926.

Out of a total of 102 educational institutions in Bangalore in 1926, 22 were institutions for Europeans and Anglo-Indians, including 2 Arts Colleges, 11 secondary schools and 7 primary schools. With effect from April 1923 Bangalore was removed from the jurisdiction of the Madras Educational Department and the Inspector of Schools, Coorg and Bangalore, came directly under the Resident of Bangalore and the Government of India.

Coorg.—In 1916 there were 7,679 scholars reading in recognised institutions; in 1921, 8,347 scholars and in 1926, 8,841 scholars. In 1916 the percentage of scholars to the total population was 4·4; in 1921, 4·8 and in 1926, 5·4. The figures for male and female scholars separately were:—males—1916,—5·4; 1921,—6·1; and 1926—6·6; females—1916,—3·0; 1921,—3·0 and 1926,—3·9. There were no colleges in Coorg in either period.

Secondary.—In both periods there were 3 secondary schools, 2 for boys and 1 for girls. In 1916 the total number of scholars was 587 including 100 girls—in 1921, 820 scholars, including 152 girls and in 1926, 1,045 scholars, including 233 girls.

In 1916 the percentage of trained teachers to the total number of teachers was 71·4; in 1921, 83·9 and in 1926, 80·8.

The total expenditure on secondary schools was Rs. 0·33 lakhs in 1916; Rs. 0·36 lakhs in 1921 and Rs. 0·57 lakhs in 1926.

Primary.—In 1916 there were 98 primary schools with an enrolment of 7,056 scholars; in 1921, 109 schools with 7,491 scholars and in 1926, 108 schools with 7,786 scholars.

In 1916 the percentage of trained teachers to the total number of teachers was 67·4; in 1921, 76·7 and in 1926, 78·1.

In 1916 the total expenditure on primary schools was Rs. 0·50 lakhs; in 1921, Rs. 0·64 lakhs and in 1926, Rs. 0·96 lakhs.

Coorg has been included in this chapter as a directly administered area but in January 1924 the Governor General in Council extended to Coorg the provisions of the Government of India Act relating to Legislative Councils of Lieutenant Governors and a local legislature was constituted for Coorg. Since 1924, therefore, the control of education

has vested in the Chief Commissioner of Coorg with the Inspector of Schools, Coorg and Bangalore, as head of the Education Department.

CHAPTER XVII.—EDUCATION IN THE CENTRAL LEGISLATURE.

Legislation.—Between 1921 and 1926 the following Bills were passed into Law :—The Delhi University Bill, the Calcutta University Bill and the Benares Hindu University Amendment Bill.

The Bill to establish a Unitary University at Delhi was a Government measure and was introduced in the Legislative Assembly in January 1922. Few amendments were made in the Bill as passed by the joint-select committee and the Bill was finally passed by both houses in February 1922.

The Calcutta University Bill was introduced as a Government measure in the Legislative Assembly in March 1921 and was passed by both houses almost without discussion. The Bill transferred the control of the University from the Government of India to the Government of Bengal and made the Governor of Bengal the Chancellor of the University. The Benares Hindu University Amendment Bill was introduced as a Government measure in the Council of State in January 1922 and was passed, almost without discussion, by both houses in February 1922. The original University Act provided that no non-Hindu could be a member of the Court of the University, save in the case of the first Court. The amending Bill threw open membership of the Court permanently to non-Hindus.

Three Bills dealing with Medical Education were introduced by non-official members, but were not proceeded with. The first, a Bill to amend the Indian Medical Degrees Act of 1916, was introduced in the Legislative Assembly in February 1925. Its object was to empower provincial legislative councils to add to the list of institutions authorised to grant medical degrees, diplomas and certificates. In February 1926 the Bill was withdrawn owing to non-official opposition. In February 1926 a non-official Bill called the Indian Medical Education Bill was introduced in the Legislative Assembly. The object of the Bill was to regulate Medical Education in India by creating an All-India Medical Council and by providing for the establishment of a recognised qualification in indigenous (Unani and Ayurvedic) methods of medical treatment. The Bill was not, however, proceeded with. In the same month a non-official bill on similar lines was introduced in the Council of State. This Bill, after having been circulated for opinion, was also dropped.

Resolutions.—In February 1921 a resolution was moved in the Legislative Assembly recommending to the Governor-General in Council that at least one model high school for girls, with a suitable boarding house attached, be started in each province, that a definite portion of the Education budget (say $\frac{1}{4}$) be allotted and spent on the education

of girls and that a special Imperial grant-in-aid be sanctioned for the object. The resolution was supported by many non-official members, but was opposed by one Honourable Member on the ground that he objected to western education being given to Indian girls. The Government opposed the resolution since it was concerned with a transferred subject under the control of ministers in the Provinces and since there were already 103 high schools for girls in India.

The resolution was negatived.

In February 1922 a resolution was moved in the Legislative Assembly recommending to the Governor-General in Council that Rs. 6 lakhs each year be spent from Central Revenues on the training of Indians and Anglo-Indians abroad in technical subjects including shipbuilding, wireless telegraphy, gunnery, industrial chemistry, mining, geological surveying, cottage industries, fruit-canning and milk-products. An amendment was moved to the effect that the services of the men so trained should be utilized by Government whenever possible and, after the Government had explained that scholarships for technical study were already being given in the provinces and that the resolution as worded was not acceptable owing to the inclusion of subjects which were primarily the concern of the Local Governments, the motion as amended was adopted.

In the same month a resolution was moved recommending to the Governor-General in Council that a committee of professional experts be appointed to enquire into the training that is obtained in the various Medical and Surgical institutions in India with a view to bringing the Indian Institutions in all respects on a level with those of the United Kingdom and thereby creating in India a suitable field of recruitment for its entire medical services. The motion was opposed by the Government on the main ground that it included a survey of conditions which were under the control of provincial Governments and, after an amendment dealing with the composition of the Committee to be appointed had been defeated, the resolution was negatived.

In January 1924 a resolution was moved in the Legislative Assembly recommending to the Governor-General in Council that twenty-five scholarships, each tenable for five years, at about Rs. 4,000 per head per annum, be given year after year as funds are available from the Imperial revenues to Indians of great promise specially for research work in any part of the world and in any branch of knowledge approved by the Central Legislature. After the Government had explained the extent to which support was being given to research students abroad and the financial difficulties involved in the proposal the motion was adopted.

In February 1921 a resolution was moved in the Council of State recommending to the Governor-General in Council to recommend to every Provincial Government the desirability of (a) having an Ayurvedic and Tibbi Medical College in their provinces, (b) taking measures to develop Indian drugs and (c) appointing Vaidyas and Hakims in

every dispensary to treat patients by indigenous methods as far as possible. The motion was opposed by Government on the ground that it was a matter for the Provincial Legislatures to deal with and not one in which the Government of India could dictate to the local Governments.

The resolution was rejected.

In the same month a resolution was moved in the Council of State recommending to the Governor-General in Council to take early steps to introduce legislation in order to place the Universities of India on a more democratic basis. The mover of the motion desired that the authorities of the various Universities in the Provinces should contain fewer nominated members and that the Central Government should introduce legislation to that end. After the Education Member had replied, explaining what steps had been taken to increase elected representation in the Provincial Universities and suggesting that legislation of the nature demanded must initiate with the local Governments, the resolution was by leave withdrawn.

In September 1921 a resolution was moved in the Council of State recommending to the Governor-General in Council that he may be pleased to forward to all Provincial Governments the recommendations of the Council that they should take necessary steps for introducing religious and moral education in all aided and Government schools and colleges. After the Education Member had explained that a circular letter on the subject of religious and moral instruction had already been issued to all local Governments the resolution was by leave withdrawn.

In the same month a resolution was moved in the Council of State recommending to the Governor-General in Council to request the Secretary of State for India to apply to the Trustees of the "Cecil Rhodes Scholarships Settlement" to transfer to Indian students the scholarships reserved under the settlement for German students which have been discontinued since the war and further, that in the event of such transfer not being possible for any reason, to apply to the Trustees, and if necessary to the Executor to create new scholarships for the benefit of Indian students. The resolution, which was accepted by Government, was adopted.

QUESTIONS.—Education being a transferred provincial subject the questions on education in the Central Legislature were mainly confined to the Universities in receipt of grants from Imperial funds and to developments in the areas directly administered by the Government of India.

In the Legislative Assembly the questions asked between 1921 and 1926 were concerned with the following subjects:—the reorganisation of the Calcutta University, the establishment of the Patna, Rangoon and Agra Universities, the grants paid to the Aligarh, Delhi and Benares

Universities, the need for a University in Rajputana, students and non-co-operation, state technical scholarships, expenditure by Railways on railway schools, the extent and cost of education in the directly administered areas, appointments in the Lady Hardinge Medical College, Delhi, the number of agricultural and commercial colleges in India, the instruction given in Chiefs Colleges, the teaching of wireless science in colleges, nautical classes in Government colleges, the opening of a school of mines at Dhanbad, the location of the Inter-University Board, the position of the depressed classes and the progress of the Boy Scouts movement.

In the Council of State comparatively few questions concerning educational matters were asked. The questions put were practically confined to the following subjects :—

Provincial and local Universities in India, educational policy generally, the progress of Muhammadan education, the provision of State scholarships for study abroad, University Training Corps, Religious and Moral instruction in schools, students and the non-co-operation movement, the Bose Research Institute, Calcutta, and the School of Mines, Dhanbad.

PART II.

STATISTICAL TABLES.

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TABLE No. 1.

All-India Statistics (Institutions and Scholars).

	Number of Institutions.			Percentage Increase or decrease of Institutions between		Number of Scholars.			Percentage Increase or decrease of scholars between		Expenditure (Direct only).			Percentage Increase or decrease of Expenditure between	
	1916.	1921.	1920.	1916 and 1921.	1921 and 1920.	1916.	1921.	1920.	1916 and 1921.	1921 and 1920.	1916.	1921.	1920.	1916 and 1921.	1921 and 1920.
Arts Colleges .	147	100	215	+8.6	+31.4	45,818	18,170	03,588	+5.1	+32.0	08.07	100.32	110.87	+40.8	+10.5
Professional Colleges.	57	72	80	+30.8	+10.3	0,671	13,154	17,378	+30.0	+32.1	31.51	50.04	09.04	+60.7	+38.1
Secondary Schools.	7,272	8,923	10,837	+22.7	+21.5	1,128,403	1,251,407	1,710,147	+11.2	+30.8	290.19	440.33	031.11	+51.7	+40.5
Primary Schools.	138,080	159,303	183,104	+15.4	+11.9	5,038,244	0,323,031	7,799,070	+12.2	+23.2	281.20	453.73	635.58	+61.3	+40.1
Special Schools	5,641	4,051	8,800	-28.2	+117.4	101,072	131,171	289,801	-18.6	+121.0	71.47	115.20	150.74	+61.2	+38.7
Grand Total .	151,206	172,509	203,102	+14.1	+17.7	0,983,208	7,775,023	9,802,703	+11.3	+27.2	11,08.20*	10,77.37*	22,77.03*	+51.4	+35.8

* Includes indirect expenditure also.

(a) This figure includes also 0,623 scholars reading in Universities.